

# The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF  
The Society of Incorporated Accountants  
and Auditors



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## Professional Notes.

THE Council of the Society of Incorporated Accountants and Auditors have unanimously elected Mr. Henry Morgan (Messrs. Morgan Bros. and Co., London) and Mr. Edward Cassleton Elliott (Messrs. Cassleton Elliott & Co., London) to the respective offices of President and Vice-President of the Society. Mr. Morgan, who was articled to Mr. Henry J. Burgess, F.S.A.A., passed the Final examination of the Society in June, 1908, and was awarded the Third Certifi-

cate of Merit. He was elected an Associate in 1904, and a Fellow in 1912. Mr. Cassleton Elliott was articled to the late Mr. Ebenezer Carr, F.S.A.A., Past President of the Society, and was placed eighth in Order of Merit in the same Honours list as that in which Mr. Morgan's name appeared. He was admitted an Associate in 1904, and became a Fellow in 1917. A photograph of Mr. Morgan appears as a supplement to this issue. It will be remembered that it was Mr. Morgan who signed the contract for the purchase of Incorporated Accountants' Hall to prevent the building falling into other hands. This contract was subsequently assigned by him to the Society, after the members had sanctioned the acquisition of the building at an extraordinary general meeting.

At the meeting of the Council held on November 21st, a cordial vote of thanks was passed to Mr. Thomas Keens for his services as President of the Society for a period of over three years. The terms of the resolution rightly mention that during Mr. Keens' presidency, Incorporated Accountants' Hall was acquired by the members and opened by H.R.H. the Duke of York. The resolution also points out that allied to the housing of the Society in dignified headquarters, Mr. Keens got put into force a scheme for enhancing the status of the District Societies of Incorporated Accountants, and for providing improved facilities for the carrying on of their work in a manner worthy of the position of the Society as a whole. In furthering the Society's interests, Mr. Keens has travelled far and wide, and he has also, with the assistance of Mrs. Keens, been the means of bringing the members together socially on various occasions, and thus affording them opportunities of intercourse to their mutual advantage, which was one of the objects of the founders of the Society.

Mr. J. R. Willis Alexander, M.A., LL.B., Parliamentary Secretary to the Society, has been appointed Secretary of the Institute of Gas Engineers out of a large number of applicants. Mr. Alexander tendered his resignation to the Council at the last meeting, and it was accepted with much regret, although an arrangement is foreshadowed which will prevent a complete severance of Mr. Alexander from the Society. While we congratulate Mr. Alexander on his promotion, we regret the loss of his whole-time services, which he has discharged with both ability and discretion since his appointment to the Society two-and-a-half years ago. The columns of the *Incorporated Accountants' Journal* recently contained a supplement from Mr. Alexander's pen

on "Incorporated Accountants' Hall, its history and architecture." This article has been reproduced and widely circulated throughout the world.

Mr. William Strachan, F.S.A.A., of Messrs. Martin, Farlow & Co., has been invited by the Chancellor of the Exchequer to serve on the Board of Referees, whose duties are mainly in connection with appeals under sect. 21 and the First Schedule of the Finance Act, 1922, as subsequently extended by sect. 31 of the Finance Act, 1927. A quiet and unobtrusive worker, Mr. Strachan has rendered valuable services to the profession and the public. The assistance which he gave in bringing to a successful issue the legal proceedings taken by the Society in 1907 for the protection of the designation "Incorporated Accountant" will be within the recollection of many of the members, as well as his work in connection with the formation and development of the Incorporated Accountants' Students' Society of London. During the War Mr. Strachan undertook unpaid duties of a supervisory character in the Contract Costing Department of the Ministry of Munitions, a position for which he was well qualified, as he had specialised in costing for many years, his published work on that subject being now in its fifth edition.

We take pleasure in drawing attention to Mr. Strachan's work because the Supplement to this issue comprises a review by him of the alterations in the law relating to Companies, brought into operation by the Companies Act, 1929, in so far as they are likely to affect professional accountants in their everyday practice as auditors, liquidators or receivers, or in relation to company prospectuses on which their names may appear. This work has been undertaken by Mr. Strachan at the request of the Council of the Society, and while it first appears as a supplement to the *Incorporated Accountants' Journal*, it will, no doubt, be reproduced as a work of permanent reference.

As stated in the explanatory opening of the Supplement, the Council of the Society of Incorporated Accountants and Auditors have obtained the opinion of two eminent Counsel (a leader and a junior) on a number of points in the Act as to which the interpretation appears doubtful. The names of Counsel are not given by Mr. Strachan, but we understand that the Opinion referred to was given by Mr. C. A. Bennett, K.C., and Mr. Andrewes-Uthwatt. Mr. Bennett, who enjoyed a large practice, has now been appointed a Chancery Judge to fill the vacancy caused by the

promotion of Mr. Justice Romer to the Court of Appeal.

Summarising in a few words a Supplement which extends to 27 pages, it will be found to contain the new provisions which concern accountants in relation to the contents of the Balance Sheet, the accounts to be issued by companies or to be furnished by them on demand, and the auditor's rights, duties and liabilities; also the alterations in the law in relation to prospectuses, receiverships, and the winding up of companies, including a new class of voluntary liquidation, termed "Creditors' Voluntary Winding Up."

An interesting article appeared in *The Statist* last month under the title of "Aftermath of the New Issue Boom." The object of the article was to arrive at some idea of the extent of the losses incurred by the investing public in the new companies formed in the year 1928, when the flotation fever was at its height. For this purpose, 250 out of a total of 280 public issues were investigated, the investigation revealing that while the cash value of these 250 issues, calculated at the issue price, was £74 million, the present market value of the securities in which dealings are recorded is £48 million. The £74 million included 30 issues of a par value of £5 million, which are not now quoted, and eleven issues the par value of which is about two millions and the market value purely nominal. Considering only those issues which have a market value, it would appear that in respect of securities offered for £67 million in 1928, the public has incurred a loss of nearly £20 million.

The advisability of accepting a payment tendered as a full settlement of a disputed debt is sometimes questioned. A case in point (*Smith & Archibald v. Ryness*) was recently decided by the Court of Session in Scotland on an appeal from the Sheriff Substitute, who had held that a cheque, sent by the debtor with a letter stating that it was in full settlement of the balance due after deduction of his counter claim, must be accepted in full settlement or returned. The cheque was, in fact, retained and cashed. On appeal, this judgment has been reversed by a majority of the Court on the ground that the creditors in acknowledging the cheque, gave a clear indication that they had no intention of recognising the validity of the counter claim, and that nothing was done by them to induce their debtor to believe that any compromise on the terms contended for by him was

accepted. This decision is in accordance with the general understanding in regard to these matters, but it is a little disconcerting to find a Judge in the lower Court coming to a contrary conclusion.

The City Editor of the *Evening Standard* has been making some comments on the interpretation of the new Companies Act to the effect that under the provisions of the Act shareholders may not receive, as most of them anticipate, particulars, in the issued accounts, of the loans made to directors and the repayments by them within the period of the accounts. This has apparently been challenged by several of his correspondents. Mr. Wade's contention appears to be that while the Act stipulates that "the accounts to be laid before the company in general meeting" shall contain the particulars in question, such information need not necessarily be included in the balance-sheet which is circulated. The presumption seems to be that the provisions of the Act can be complied with by a memorandum on the Profit and Loss account which is not required to be circulated. There appears to be some difference of opinion in legal circles as to what must in fact be laid before the general meeting during the present calendar year.

On several occasions we have referred to the endeavours which are being made to dispense with the distinctive numbering of shares in public companies, and a scheme was recently formulated and agreed to by the Stock Exchange, the Chartered Institute of Secretaries, and other bodies, in the form of a draft Bill to be submitted to Parliament for approval. We believe it was understood that the Board of Trade would give favourable consideration to the scheme, but the Government has now decided not to take any responsibility for the Bill. In these circumstances, its chance of becoming law is rather remote, as the time available for the discussion of private members' Bills is very limited. There is an impression that the disclosures in the *Hatry* case may have influenced the Government's decision.

Any doubt which may have existed as to what constitutes "profits or gains brought into charge" for the purpose of setting off annual interest under Rules 19 and 21 of the General Rules has now been set at rest by the decision of Mr. Justice Rowlatt in the recent case of *Luipaard's Vlei Estate and Gold Mining Company, Limited, v. Commissioners of Inland Revenue*. Debenture interest had been paid by the company for several years under During the years in question, the company had

deduction of income tax at the standard rate, not sufficient taxed income to cover such interest, but there had been a balance on the profit and loss account representing accumulations of taxed profits of earlier years, which, under a scheme for reduction of capital, had been completely written off. It was contended on behalf of the company that there was no liability to pay over to the Inland Revenue Authorities the tax deducted from the debenture interest, as the interest had been paid out of the accumulated taxed profits of earlier years.

Mr. Justice Rowlatt, in giving judgment against the company (confirming the decision of the Special Commissioners) held that the expression "profits or gains brought into charge" must be interpreted as the taxed profits of the year of charge, and that the accumulated taxed profits of previous years were not available. He considered, however, that the practice of the Inland Revenue Authorities of not insisting upon too strict an interpretation of the rules in cases where the available taxed profits were sometimes more and sometimes less than the debenture interest, was quite reasonable, but there was no ground, in his opinion, for extending this principle to cases where there were no taxed profits in the year of charge.

An important point was recently settled by the Courts in the case of the *Burma Corporation*. The question involved was whether a company which transferred its management from abroad to this country was to be treated as a new business from the date of the transfer, or whether the years of the company's business prior to the transfer were to be recognised for the basis of the company's income tax assessment. The Special Commissioners took the view that the company existed none the less, although officially resident abroad, but Mr. Justice Rowlatt took a contrary view, and regarded the company for taxation purposes as commencing its existence when the management was transferred to this country. The Court of Appeal has now restored the decision of the Commissioners, the three Judges being unanimously of opinion that the trade was "set up and commenced" when in fact it was set up and commenced and not when it was merely brought within the purview of the British Income Tax.

An important point has been before the Courts in relation to the construction of the provisions of the Landlord and Tenant Act, 1927, in regard to leases. The Act provides for compensation to be paid to tenants of business premises on the



expiration of their leases, and also in certain circumstances for the grant of a new tenancy not exceeding fourteen years on such terms as the tribunal may determine to be proper. The case referred to is *Stumbles v. Whitley*, which related to the lease of an hotel together with fishing rights over a neighbouring stream. The grant of a new lease was ordered, and the question arose whether it included the fishing rights. The Act refers only to the "premises" subject to the lease, and it was argued that the word applied only to the physical structure and ought not to cover any other rights. Lord Justice Scrutton, however, decided that the term "premises" included the whole subject matter of the lease, incorporeal rights as well as physical structure. This case is likely to form a precedent in numerous instances, as leases of business premises often carry with them attendant privileges, such as rights-of-way, &c.

It has generally been considered that a document executed under seal cannot be varied except by another document under seal. Doubt has now been thrown upon this proposition by the judgment of the Divisional Court in *Berry v. Berry*. In this case, a deed of separation had been executed whereby the husband covenanted to make his wife an annual allowance. Subsequently by an agreement in writing, but not under seal, it was agreed to vary the payments referred to in the deed. At a later date the wife brought proceedings to recover the difference between the sum paid to her under the agreement and the larger sum she would have received under the deed. The Court held that she was not entitled to recover this amount. After examining this case and the precedents on the subject, the comment of the editor of the *Law Times* is that "the law must now be regarded as being to the effect that a contract under seal may be varied by a parol contract, where the circumstances are such that a person who attempted to sue on the contract under seal would be restrained from doing so. If that be the case, however, the law appears to be in a somewhat curious state, since, while a contract which is required to be evidenced in writing can only be varied by a contract also evidenced in writing, a contract under seal may be varied by a parol contract, whether such contract be written or merely verbal."

A preliminary meeting has been held of the Committee of Finance and Industry which was recently appointed by the Chancellor of the Exchequer. The terms of reference to the Committee were to inquire into banking, finance and

credit, paying regard to the factors, both internal and international, which governed their operation, and to make recommendations calculated to enable these agencies to promote the development of trade and commerce and the employment of labour. The Committee decided to hold its meetings in private, and discussed the procedure with regard to the taking of evidence, and generally the lines on which the inquiry should be conducted.

The Income Tax laws in Germany appear to be more lenient in some respects than our taxation laws here. For example, an analytical chemist who became poisoned in the course of his work incurred an expense of £250 in medical costs and a rest cure. The Court decided that he was entitled to a deduction of this sum in arriving at his Income Tax assessment on the ground that it came within the term "working costs." It is further stated that in general, holidays are officially regarded as being "for the maintenance of working power." Taxpayers here would be delighted to endorse this theory.

The Courts have already had a matter before them arising out of the Companies Act, 1929. It is provided by sect. 142 of the Act that an undischarged bankrupt incurs a heavy penalty if he acts as a director or takes part in the management of a company without the leave of the Court. An application for leave under this section was made last month, but as the applicant had been twice bankrupt, and had not even applied for his discharge in either of the bankruptcies, the application was refused. Against him there was also reported not only rash and hazardous speculation, but a sentence of six months' imprisonment for obtaining credit for over £10 without disclosing the fact that he was an undischarged bankrupt.

Some little time ago it was announced that a German limited company conducting auditing and accountancy work had arranged to set up a subsidiary in London. The proposal, it is understood, has now been abandoned. In the first place, a limited company is not allowed under the provisions of the new Companies Act to act in the capacity of auditor, and, moreover, we think there is much greater confidence in the work carried out by British accountants than by those possessing a Continental qualification.

In answer to a question in Parliament as to the amount of uncollected income tax, the Paymaster-General said that estimates had been made of the amount of tax assessed in a given year, which



had not been collected at the end of that year. The arrears of Income Tax from the year 1920-21 were estimated to be £51,100,000. In succeeding years they were £70,300,000, £46,400,000, £44,800,000, £35,400,000, £32,000,000, £29,500,000 and (for 1927-28) £21,300,000. In regard to super tax, the amount remaining to be collected at the end of the fiscal year was estimated to be £16,300,000 in 1921, and in subsequent years £24,200,000, £23,000,000, £26,000,000, £25,000,000, £23,400,000, £19,300,000, and (in the year 1928) £14,500,000. These figures show that there has been a gradual tightening up of the collections, encouraged probably in some cases by a doubt as to whether the Chancellor's Budget would balance at the end of the year.

The annual report of the Board of Trade on the working of the Bankruptcy Acts for the year 1928 has just been issued. The total insolvencies for the year numbered 6,251, of which 4,167 were administered in Bankruptcy and 2,054 under Deeds of Arrangement. The liabilities, as estimated by debtors, totalled £12,258,690, a decrease of £475,000 compared with the previous year, and the assets as estimated by debtors amounted to £3,824,209, an increase of £8,398.

Of the total estimated liabilities, £7,883,589 related to Bankruptcy proceedings, and £4,375,101 to Deeds of Arrangement. In 22 of the largest bankruptcies the liabilities exceeded £40,000, and in ten of these cases the figures exceeded £70,000. The aggregate liabilities in the 22 cases were £2,000,000, or about one-fourth of the estimated liabilities under the whole of the receiving orders for the year. The corresponding proportion for the preceding year was about one-sixth.

The insolvencies which were administered under Deeds of Arrangement showed a decrease in estimated liabilities of £17,000 on the 1927 figures, while the estimated assets, totalling £2,132,000, showed an increase of £164,000. In seven cases the estimated liabilities exceeded £40,000, the total of these seven amounting to £511,000, or about one-ninth of the total liabilities under the whole of the deeds executed.

The classification of failures under different trades and occupations shows that "directors and promoters of Public Companies" head the list with liabilities totalling £1,049,000, while farmers follow with £666,500, and builders with £644,000.

## Substituted Executors.

A TESTATOR may appoint several persons as executors in several degrees. Such substitution may be made to take effect whether the original executor dies in the lifetime of the testator or after his death. A usual case of substitution is where a testator makes his wife executrix, but if she will not or cannot act, then he makes his son executor, and if his son will not or cannot act, then he appoints his brother. In this case the wife is said to be constituted executor in the first degree, the son to be substituted in the second degree, and the brother to be substituted in the third degree.

The substituted executor cannot propound the will until the first named executor has been cited to accept or refuse the office (*Smith v. Crofts* (1758) 2 Lee). If an instituted executor once accepts the office and afterwards dies intestate, the substitutes in what degree soever are all excluded, because the condition of law was once accomplished by such acceptance of the instituted executor.

It has been held that, where the deceased appointed his wife sole executrix, and, in default of her, two other persons to be executors, and the wife died after taking out probate, those other persons were, on the death of the wife, entitled to administer the estate of the deceased as substituted executors (*Re Foster* (1871) L.R., 2 P. & D., 304). An appointment of A. as executor, and "in case of his absence on foreign duty," of B., was an appointment of B. as substituted executor in the event of A.'s absence from the country when the necessity for proving the will arose. A. was in England at the time of the testator's death, but was absent on foreign service when the application for probate was made, and was likely to be absent for some years, and probate was granted to B. (*Re Langford* (1867) L.R., 1 P. & D., 458). A. appointed B., C., D., and E. executors, and in case of the death of B., F. was to be executor in his place. B., C., D., and E. proved the will, but B. and C. having died, F. applied to have a double probate granted to him, D. and E. approving the grant. The grant was made to F., the casualty not being restricted to the death of B. during his lifetime (*Re Johnson* (1858) 1 Sw. & T., 17). A testator appointed J. J. executor, "but should he decline or consider himself incapable of acting, then I appoint E. J. to be executor." J. J. died in the lifetime of the testator. The intention was that E. J. should be executor if J. J. could not or would not act,

and E. J. as substituted executor was entitled to probate (*Re Betts* (1861) 30 L.J.P., 167).

It is desirable that the will should make it clear whether the substitution is to take place if the casualty occurs in the lifetime of the testator or after his decease, or only in one and which of those events. Where, therefore, a testator has directed that in a certain event some other person shall be substituted for his original executor, that other person becomes entitled upon the happening of the event to a grant in his own favour. Such a grant is known as a second grant. The substituted executor takes the executor's oath, but swears the estate at the value only of what remains undistributed.

### Gifts Free of Duty.

It is a common desire among testators that their gifts should be received by the donees without deduction in respect of death duties. In order to carry out such an intention it is necessary that the requisite duties on these gifts should be paid out of some part of the estate other than the subject matter of the gift, and generally such duties are paid out of residue, though in special cases they are directed to be paid out of some particular fund or charged upon particular property.

The effect of a gift free of duty is to give the legatee the full amount of the legacy, and to pay out of the general residuary estate the duties that would normally fall to be paid by the legatee out of the legacy. The ultimate result of the direction is therefore to give the legatee a further legacy out of the general residuary estate of an amount equal to the amount of the duties paid.

The Legacy Duty Act, 1796, sect. 21, provides that if any direction be given by any will for payment of the duty chargeable upon any legacy or bequest out of some other fund, so that such legacy or bequest may pass to the person to whom or for whose benefit the same is given free of duty, no duty shall be chargeable upon the money to be applied for the payment of such duty, notwithstanding the same may be deemed a legacy to or for the benefit of the person who would otherwise pay such duty.

A gift free of death duties only relieves the property or legacy given of those duties that by law fall to be paid out of the property itself. Estate duty on property other than realty is not payable out of the specific property, but is, in the ordinary way and without any special

direction in the will, payable out of the general residuary estate.

Succession duty when payable is payable out of the specific gift or property, so that a direction to pay duties is in all cases where the words are wide enough to admit of the inclusion of succession duty, a direction to pay the succession duty out of the general residuary estate. Legacy duty occupies the same position as succession duty.

The effect in law of a gift of an interest in an estate free of legacy duty means that the duty is not deducted from the subject of the gift, but is paid out of the general estate. It is, in fact, regarded as an additional legacy to the legatee. There is no residue until that legacy (as well as legacies in the ordinary sense) has been paid. In *Re Kennedy* ((1917) 1 Ch., 9), a testator, after giving certain specific and pecuniary legacies and life annuities and making a specific devise, declared that "all legacies, annuities and bequests" bequeathed by his will should be given and paid free of all death duties. He gave his residuary estate on trust for sale and conversion and directed that his trustees should pay his funeral and testamentary expenses, death duties, debts, legacies, and annuities out of the proceeds and invest the residue thereof and hold the same upon trust to pay certain annual sums to A. and B. during the life of C., and subject thereto upon trust for C. for life, with remainder to A. and B. absolutely. It was held that C.'s life interest in the residue was a "bequest bequeathed by the will," and that the legacy duty payable in respect thereof was payable out of the corpus of the estate and not out of C.'s income.

In *Farrer v. St. Catherine's College, Cambridge* ((1873) L.R., 16 Eq., 19), it was held that a gift of legacy duty on a specific or pecuniary legacy was a common pecuniary legacy for the benefit of the specific legatee in the one case, and of the pecuniary legatee in the other; and in the event of the general estate being insufficient the gifts of legacy duty must abate along with other pecuniary legacies. The value of the specific legacies must, therefore, be ascertained, and the amounts of legacy duty payable thereon calculated, and such amounts must be treated as pecuniary legacies, and abate accordingly.

### Incorporated Accountants' Students' Society of London.

A correspondent points out to us that Mr. Henry Morgan, F.S.A.A., is the tenth President of the Society who has previously served the office of President of the London Students' Society.

## Society of Incorporated Accountants and Auditors.

### COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on Thursday, November 21st, when there were present:—Mr. Thomas Keens (retiring President) in the chair; Mr. A. E. Woodington (Vice-President), London; Mr. R. Wilson Bartlett, J.P., Newport, Mon.; Mr. William Bateson, Blackpool; Mr. H. J. Burgess, London; Mr. D. E. Campbell, Wolverhampton; Mr. Arthur Collins, London; Mr. W. Allison Davies, O.B.E., Preston; Mr. Walter Holman, London; Mr. Ernest T. Kerr, Birmingham; Sir James Martin, J.P., London; Mr. Henry Morgan, London; Mr. C. Hewetson Nelson, J.P., Liverpool; Mr. James Paterson, Greenock; Mr. W. H. Payne, London; Mr. W. Paynter, London; Mr. A. E. Piggott, Manchester; Mr. J. Stewart Seggie, Edinburgh; Mr. Alan Standing, Liverpool; Mr. Percy Toothill, Sheffield; Mr. A. H. Walkey, Dublin; Mr. F. Walmsley, J.P., Manchester; Mr. R. T. Warwick, London; Mr. E. W. C. Whittaker, J.P., Southampton; Mr. W. McIntosh Whyte, London; Sir Charles H. Wilson, LL.D., J.P., Leeds; Mr. A. A. Garrett, M.A., B.Sc., Secretary, Mr. J. R. W. Alexander, M.A., LL.B., Parliamentary Secretary.

Apologies for non-attendance were received from Mr. G. S. Pitt and Mr. E. Cassleton Elliott (owing to absence in West Africa).

### ELECTION OF PRESIDENT.

Upon the motion of Mr. Thomas Keens, seconded by Mr. F. Walmsley, it was resolved unanimously that Mr. Henry Morgan (Morgan Brothers & Co., London) be elected President of the Society. Mr. Keens invested Mr. Morgan with the President's Badge, and he thereupon took the chair and expressed to the Council his sincere thanks for his election.

### ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. Henry Morgan, seconded by Mr. A. E. Woodington, it was resolved unanimously that Mr. Edward Cassleton Elliott (Cassleton Elliott & Co., London) be elected Vice-President of the Society.

### VOTES OF THANKS.

1. The following resolution of thanks to Mr. Thomas Keens was adopted:—"That the Council of the Society of Incorporated Accountants and Auditors accord to Mr. Thomas Keens, F.S.A.A., their sincere and hearty thanks for the valuable services he has rendered to Incorporated Accountants as President of the Society during a period of three years from 1926 to 1929. The Council wish particularly to record their appreciation of the work of Mr. Keens in regard to the acquisition of Incorporated Accountants' Hall, which was formally opened by H.R.H. the Duke of York on February 19th, 1929, during the Presidency of Mr. Keens; also in regard

to the development of the activities of the Branches and District Societies. It was further resolved that this resolution be suitably inscribed and handed to Mr. Keens."

2. A resolution of thanks to Mr. Arthur E. Woodington for his services to the Society as Vice-President *ad interim*, and for his continuous work as Chairman of the Examination and Membership Committee was also passed.

### COMMITTEES.

It was resolved that Mr. Thomas Keens be elected a member of the following Committees: Finance and General Purposes, Parliamentary, Hall Committee, and District Societies Committee.

### PARLIAMENTARY SECRETARY.

A report was received of the acceptance by Mr. J. R. W. Alexander, M.A., LL.B., Parliamentary Secretary, of the appointment of Secretary to the Institution of Gas Engineers. The Council congratulated Mr. Alexander upon his appointment, and it was resolved that he be retained as Parliamentary Secretary to act for the Society in certain appropriate directions.

### VISIT OF DELEGATION OF INCORPORATED ACCOUNTANTS TO CANADA AND THE UNITED STATES AND THE INTERNATIONAL CONGRESS ON ACCOUNTING.

The following resolutions of thanks were adopted:

1. To the President and Executive Committee of the International Congress on Accounting:—"That the sincere and hearty thanks of the Council be accorded to the President, Colonel Robert H. Montgomery, the Executive Committee, and the Secretary, Professor Giles L. Courtney, of the International Congress on Accounting, 1929, for the hospitality accorded to the Delegation of Incorporated Accountants and for the arrangements made. They express their appreciation to the American Institute of Accountants, the American Society of Certified Public Accountants, the National Association of Cost Accountants, the American Association of University Instructors in Accounting, and the State Societies of Certified Public Accountants in the United States, in sponsoring the Congress and for the entertainment which each of these bodies so kindly offered; also to the *American Accountant* for the valuable summaries of papers and biographical notes.

"The Council of the Society of Incorporated Accountants and Auditors believe that the Congress has advanced substantially the interests of the Accountancy Profession wherever it is practised, and the Council appreciate the opportunity afforded to the Society's Delegation to meet so many of their professional brethren in the United States, from the British Dominions and from other countries.

"The Council direct that this resolution be forwarded to the President of the International Congress on Accounting and to the respective bodies mentioned in this resolution."



2. To the hosts of the Delegation in the Dominion of Canada. It was resolved to express the cordial thanks of the Council for the hospitality extended in the Dominion of Canada to the Delegation of Incorporated Accountants during their visit in September, 1929. The Council acknowledge the honour accorded to the Society by the reception given to the Delegation by the Canadian Committee of Incorporated Accountants, both in Montreal and Toronto, the Society of Chartered Accountants of the Province of Quebec, both in the City of Quebec and in Montreal, the Institute of Chartered Accountants in Ontario, the President of the Canadian National Exhibition, His Worship the Mayor, the Controllers and the Auditor of the City of Ottawa. The Council highly appreciate the opportunity afforded to the Delegation to meet their professional brethren in the Dominion of Canada, and send their sincere good wishes for the continued prosperity of the Dominion and of the Accountancy Profession in Canada.

It was directed that this resolution be forwarded to all those who so kindly entertained the Society's Delegation.

3. To the American Institute of Accountants:—"It was resolved that the sincere thanks of the Council be accorded to the President, Mr. Frederick H. Hurdman, the Executive Committee, the Secretary, Mr. A. P. Richardson, and the Honorary Treasurer, Mr. Andrew Stewart, for the welcome and hospitality extended to the Delegation of Incorporated Accountants at the annual meeting of the American Institute of Accountants held at Washington in September, 1929. The Council highly appreciate the reception accorded to the Delegation by the President, Mr. F. H. Hurdman, and his colleagues. It was a particular pleasure to the Delegation to be able to meet their professional brethren in the Federal Capital of the United States of America and to participate in the proceedings of the American Institute. The Council extend their good wishes for the continued prosperity of the American Institute of Accountants."

4. To the Members of the Delegation for their services and for the papers read.

#### INCORPORATED ACCOUNTANTS' CONFERENCE, 1930.

It was resolved to accept the invitation of the Sheffield District Society of Incorporated Accountants to a Conference to be held in Sheffield in 1930.

#### PRESENTATION OF CHINA TEA SERVICE.

Mr. J. Paterson Brodie, Fellow, and Mr. Andrew Brodie, Associate, Stoke-on-Trent, were received by the Council. They formally presented a china tea service which had been specially designed and manufactured for the use of the Society at Incorporated Accountants' Hall by the first Lord Mayor of Stoke-on-Trent. On behalf of the Council, the President, Mr. Henry Morgan, expressed the thanks of the Society to the two members who had so kindly made this useful gift.

A special meeting of the Council was held at Incorporated Accountants' Hall on Thursday, October 31st, Mr. Thomas Keens, President, in the chair.

#### MEMBERSHIP.

A number of elections to membership were made, and other formal business was transacted.

#### SOCIETY OF CHARTERED ACCOUNTANTS OF THE PROVINCE OF QUEBEC.—FIFTIETH ANNIVERSARY.

The following resolution was adopted:—"The Council of the Society of Incorporated Accountants and Auditors desire to convey their sincere congratulations to the Society of Chartered Accountants in the Province of Quebec (formerly known as the Association of Accountants in Montreal) upon the celebration of the Fiftieth Anniversary of the Foundation to be held in Montreal on December 5th, 1929, and to wish that body continued prosperity in the future.

"The Council express their thanks for the kind invitation to be present on the occasion, and have requested Mr. John Hyde, the Chairman, and Mr. A. F. C. Ross, the Honorary Secretary of the Canadian Committee of Incorporated Accountants, to represent the Society."

#### Obituary.

##### ARTHUR HENRY OUGHTON.

We regret to announce the death of Mr. Arthur H. Oughton, A.S.A.A., of Belfast, which occurred on October 29th at the early age of 31. Mr. Oughton entered the accountancy profession in 1913, serving articles with his father, Mr. Henry Oughton, F.S.A.A., a well known Belfast accountant. Following the passing of his examinations, Mr. Oughton continued his career in the same office, and in 1919, on the retirement of his father, he entered into partnership with Mr. D. T. Boyd, who had been in the same office for some years, the practice being continued by them under the name of Oughton, Boyd & Co. Though young in years, Mr. Oughton had attained considerable standing in accountancy circles in Belfast. He had been for some years a member of Committee of the Belfast and District Society of Incorporated Accountants, and had also acted as a member of the Court of Referees, under the Ministry of Labour.

#### Professional Appointment.

Mr. A. J. Hobson, Incorporated Accountant, Borough Treasurer of Southport, has been appointed County Accountant of Kent.

## INCORPORATED ACCOUNTANTS' LODGE.

The Installation Meeting of the Incorporated Accountants' Lodge, which was held at the Hotel Cecil, Strand, London, on November 5th, completed a year which will be memorable in the history of the Lodge.

### Visit by Lord Ampthill.

During the year the Lodge received the high honour of a visit from the Pro. Grand Master, Bro. the Right Hon. Lord Ampthill, G.C.S.I., G.C.I.E., who was accompanied by the following Officers of Grand Lodge, Bros. Sir Stanley Machin, P.G.Treas.; Geo. J. V. Rankin, P.G.D.; J. Lancaster, P.A.G.D.C.; M. J. Faulks, P.A.G.D.C.; R. J. Godson, P.G.St.B.; and F. Rees, P.G.P. A large gathering of members and visitors assembled on that occasion under the presidency of Bro. Richard A. Witty, L.R., who occupied the chair. Bro. the Right Hon. Lord Ampthill took an active part in the proceedings, and his visit was both an inspiration and an education to all who were privileged to be present.

At the conclusion of the dinner, Bro. Richard A. Witty, proposing the toast of the Officers of Grand Lodge, said it was a proud night in the history of the Lodge when they were able to welcome the Pro. Grand Master among them. Incorporated Accountants, he added, had been much in the limelight recently, and it seemed peculiarly fitting that that meeting should be held by way of a conclusion to the royal and other functions which had marked the inauguration of the new Incorporated Accountants' Hall.

Bro. Lord Ampthill, who was received with a prolonged and hearty welcome, said he was very glad to be present on the invitation of Bro. Thomas Keens. He had been impressed by the earnestness of everyone connected with the Incorporated Accountants' Lodge, and he was sure that the spirit of brotherhood which animated them all was not only for the good and for the advancement of their own fraternity, but held great potentialities for the good of their race, and, indeed, of the whole of humanity. He associated himself with the regrets which had been expressed at the absence on that occasion, through illness, of Bro. Sir James Martin, who had been referred to that evening as "the soul and spirit of the Lodge."

### Installation Meeting.

At the Installation Meeting on November 5th, Bro. William Charles Chaffey was installed in the Chair in the presence of a large assembly by his predecessor, Bro. Richard A. Witty, L.R. Amongst those present were Bro. Sir Stanley Machin, P.G.Treas. (an Honorary Member of the Lodge), Bro. Sir James Martin, P.G.D., Bro. Percy Still, P.G.D., Bro. M. J. Faulks, P.A.G.D.C., Bro. Harold E. Clarke (W.M., Chartered Accountants' Lodge), Bro. Geoffrey Bostock (Secretary, Chartered Accountants' Lodge), Bros. F. C. Lawson, W. Smith, W. T. Charlton,

H. Bailey, J. Paterson Brodie, and R. Wilson Bartlett.

Bro. Chaffey appointed and invested his officers as follows: Bro. James C. Fay, S.W., Bro. Arthur Anderson, J.W., Bro. W. H. Payne, L.R., Treasurer, Bro. H. T. Gore Gardiner, Secretary, Bro. F. E. Clements, P.M., L.R., D.C., Bro. A. V. Huson, S.D., Bro. R. E. Johnston, J.D., Bro. M. J. Faulks, P.A.G.D.C., Almoner, Bro. F. J. Nash, I.G., Bros. W. A. Pearman, W. J. Crafter, C. A. Holliday, and A. S. Darr, Stewards, and Bro. J. W. Yacomen, P.A.G.D.C. Bengal, Tyler.

At the dinner which followed, the health of "the Worshipful Master" was proposed by Bro. Richard A. Witty, who said that he had numbered Bro. Chaffey amongst his personal friends in the Society of Incorporated Accountants for a period of over twenty-five years. He was a Founder of the Lodge, and by placing him in the Chair the members had acted in their own best interests, because Bro. Chaffey would prove to be capable of ruling and directing the Lodge, and would further that advancement and progress which had been continuous since the Lodge was originally founded in 1921. Bro. Chaffey, in replying, said that he was very proud of the position to which he had been raised, and that no effort of his would be spared to maintain the honour and reputation of the Incorporated Accountants' Lodge.

The visitors present expressed their keen pleasure at the hospitality extended to them, and spoke in high terms of the officers and members of the Lodge.

The Secretary of the Lodge is Mr. H. T. Gore Gardiner, 11, Old Jewry Chambers, London, E.C.2.

## Changes and Removals.

Messrs. Cooper & Norfolk, Incorporated Accountants, announce that the partnership between Mr. E. C. Cooper and Mr. W. J. Norfolk has been dissolved as from October 31st, 1929, by mutual consent. As from November 1st, 1929, Mr. E. C. Cooper has taken into partnership Mr. L. J. Cozens, Incorporated Accountant. They will continue in practice at 8, East Stockwell Street, Colchester, under the name of Cooper, Cozens & Co. Mr. W. J. Norfolk has amalgamated with Messrs. Pike, Rogers & Co., and will in future practice in partnership with Mr. George E. Pike, Incorporated Accountant, at 8, Colne Road, and Tokenhouse Chambers, Station Road, Clacton-on-Sea, under the name of Pike, Norfolk & Co.

Messrs. Ridsdale & Ridsdale, of Walsall and Birmingham, Chartered Accountants, announce that the firm name has been changed to Ridsdale, Cozens & Co., but there is no alteration in the membership of the firm, and the places of business remain the same.

Messrs. Spicer & Pegler, Chartered Accountants, have removed to 19, Fenchurch Street, London, E.C.3.

## Birmingham & Midland Society of Incorporated Accountants.

### ANNUAL DINNER.

THE annual dinner of this Society was held at the Queen's Hotel, Birmingham, on November 15th. Mr. ERNEST T. KERR, F.S.A.A., President, occupied the chair, and there was a large and representative attendance of members and guests, including the Lord Mayor of Birmingham (Alderman M. L. Lancaster, J.P.), Sir Ernest A. Gowers, K.C.B., K.B.E. (Chairman of the Board of Inland Revenue), His Honour Judge Dyer, K.C., Mr. P. J. Hannon, M.P., the Town Clerk of Birmingham (Mr. F. H. C. Wiltshire), Mr. Registrar F. G. Glanfield, LL.B., County Court; Mr. Registrar R. Wedd, M.A., County Court; Lieut.-Col. W. T. Brain (Postmaster of Birmingham), Mr. Alexander Ramsay, O.B.E. (Chairman, Engineering and Allied Trades Employers' Association), Mr. Walter Barrow (President, Birmingham Chamber of Commerce), Mr. P. Barnes (Inspector of Taxes, 1st District, Birmingham), Mr. Sidney Bayliss (Secretary, Birmingham Insurance Institute), Mr. Howard W. Fisher (President, Birmingham and District Society of Chartered Accountants), Mr. Clement Hoults, A.S.A.A. (Official Receiver, Birmingham), Mr. G. F. Batty (Institute of Bankers), Mr. G. A. C. Pettitt (Vice-President, Birmingham Law Society), Dr. P. D. Innes (Chief Education Officer), Mr. C. R. Heathcock (Vice-President, Chartered Institute of Secretaries), Mr. Thomas Keens, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), Mr. A. A. Garrett, M.A., B.Sc. (Secretary, Society of Incorporated Accountants and Auditors), Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary, Society of Incorporated Accountants and Auditors), Mr. C. Menlove Dolby (President, Liverpool and District Society of Incorporated Accountants), Mr. Percy Toothill (President, Sheffield and District Society of Incorporated Accountants), Mr. E. Darnell (President, Newcastle-upon-Tyne and District Society), Mr. F. W. Clarke (President, Leicester District Society), Mr. Arthur E. Piggott (Hon. Secretary, Manchester and District Society), Mr. W. Walker (President, Yorkshire Society), and Mr. T. Harold Platts (Hon. Secretary, Birmingham and Midland Society).

JUDGE DYER, K.C., gave the toast of the "City and Trade of Birmingham." Birmingham, he said, had a personality of its own. Aberdeen did not suggest extravagant expenditure, and Monte Carlo did not suggest a Charch Congress. Birmingham stood for municipal government, municipal enterprise, and municipal success. They had the pleasure of welcoming that night the newly-elected Lord Mayor of Birmingham. He need not refer to his career—that had been dealt with in the local Press—but he felt sure that he would worthily maintain the high traditions of the office he held. Successful achievement in the past involved success in the future. They had seen how Birmingham aspired to lead in the future as she had done in the past; he referred to the progress of the Birmingham Bill now before Parliament. The trade of Birmingham was a large subject. The trades that had an association with Birmingham numbered, he had read, 1,200. The air was thick with such words as capital and labour, and welfare, and the word which he had taken the trouble, earlier in the evening, to write down—(much laughter)—rationalisation. Their Chamber of Commerce was one of the oldest, if not the oldest, in

the Kingdom. During the last few years there had been almost an absence of friction between capital and labour, which was very gratifying. He coupled with the toast the names of the Lord Mayor (Alderman M. L. Lancaster) and Mr. Walter Barrow, President of the Birmingham Chamber of Commerce.

THE LORD MAYOR, in replying, said he had only been Lord Mayor for six days. He felt like a child in arms, especially with a Judge on his right hand and the Chairman of the Board of Inland Revenue—(laughter)—on his left. He would not speak of a similar parallel. (Much laughter.) They had trading departments with a capital of £28,000,000. Then they were bankers, with 285,000 depositors, and they were farmers, for they had 16,000 sheep in the Elan Valley. He hoped that the Chairman of the Inland Revenue would view them sympathetically, for they were assessed at something like £2,000,000. Their City Treasurer, Mr. Johnson, was a Fellow of the Society of Incorporated Accountants and Auditors—(hear, hear)—and was highly esteemed by everyone associated with the City Council. So were many members of the Society who filled responsible positions in the City.

Mr. WALTER BARROW also responded to the toast. Trade might be better than it was, he said, but it might be worse, and he was glad that the unemployment figures had gone down. He was glad that the City Council had obtained permission to lend money to the British Industries Fair. He did not think they would want any financial help, in that they had resources of their own. Still, they appreciated the gesture of friendliness the City Council had manifested. Birmingham was lucky in not being dependant upon one industry, but Birmingham had shown remarkable mobility in regard to her manufactures, and as one went out another came in. He paid a tribute to Sir Ernest Gowers for the considerate manner in which the Board of Inland Revenue had dealt with any case in which they had discriminating powers.

Sir ERNEST GOWERS, K.C.B., K.B.E. (Chairman of the Board of Inland Revenue), in proposing the toast of "The Society of Incorporated Accountants and Auditors," said he had been much interested in the answer which His Honour Judge Dyer had given to his own question: What quality was associated with the City of Birmingham? "The answer which I should have given," he declared, "would have been that Birmingham is chiefly associated, in my mind, with great friendliness and unbounded hospitality. And if from my experience I have found Birmingham the most hospitable of cities, I have also found accountants the most hospitable of professions." A year ago, when he had been the guest of the Chartered Accountants in Birmingham, he had remarked casually that he had never heard a limerick about an accountant. Since then he had received quite a number of limericks written by members of their profession about themselves, and he would like just to quote one which seemed particularly apt to express his own feelings on the present occasion. It was as follows:—

There was an old woman of Cirencester (Cirester)  
Who went to consult her solicitor;  
When asked for her fee, she said "Fiddle-dee-dee,  
I only came here as a visitor."

He was afraid he could hardly compress his speech into the four rather disrespectful syllables that lady addressed to her solicitor, but must do his very best to pay his fee. (Laughter.) He took the precaution of asking their Parliamentary Secretary what he should talk about, and he had said it might be rather tedious if he took up the time "by expounding the virtues of you gentlemen";



it would be better to touch upon some topic of public importance. "But we as Civil Servants have to walk very delicately in these matters," said the speaker amid laughter, "especially in these days when every man's hand seems to be against us, from that of the Lord Chief Justice, who thunders against bureaucracy from platform and Press, down to that of the person with no fixed abode who writes to the newspaper in a white heat of indignation to say that she would rather forego her personal allowance than submit to the inquisitiveness of that wretched Inspector of Taxes who insists on seeing her share certificates. (Much laughter.) It is not easy to touch on any topics of public importance, most of which nowadays seem to be contentious." But the Lord Mayor, who spoke of the harassed taxpayer, had given him an opportunity which he would like to take of paying a brief but sincere tribute to the British taxpayer. "He really is a very wonderful person," declared Sir Ernest. "The high sense of civic duty which exists in this country about the payment of direct taxation is really a very remarkable phenomenon. It is, as far as I know, quite unique; you do not find it in any other country. The spirit only too common in other countries is that which was well illustrated the other day by a distinguished statesman of a foreign country who spoke publicly of the income tax of his country as a 'mugs' tax," by which I suppose he meant it was a tax which only mugs paid. I do not overlook the fact that the Inland Revenue is a highly efficient machine; I can say that without any sort of self-laudation, because it became a highly efficient machine long before I had anything to do with it. Nor do I overlook the fact that you gentlemen play an important part in these matters. That again is a subject which for the moment is barred. Nevertheless, when all allowances are made for these considerations, it remains true that it is the high tradition of honour prevailing among the public in these matters that alone makes it possible for us to collect the enormous revenue from direct taxation with anything like the smoothness and the despatch with which it is collected. And it is true, too, that the British taxpayer is not only a virtuous person; he is also a long suffering person. (Hear, hear.) The Lord Mayor pointed out that everything in these days is getting more and more complex, and income tax is amongst them. But we must not forget that these very complications which drive the plain taxpayer wild and are the source of so much pleasurable and profitable intellectual gymnastics to the members of your profession, are in the nature of boughs grafted on to a stem nearly 100 years old, with the desire to make taxation as far as possible fair, to meet the hard cases and adjust the burden to the breadth of the shoulders. I do not think the taxpayer would think himself any better off if our present system followed the crude simplicity which prevailed 220 years ago. In those days there was for a period of about ten years a curious tax on all the interesting domestic events of life. You were taxed when you were born, taxed when you were married, taxed when you buried wife or child, and, last of all, you were taxed when you were buried yourself—(laughter)—and if in order to avoid these things you refrained from getting married, you were taxed for being a bachelor. This tax was very carefully graduated, but the ability to pay was measured not by means but by rank. The most expensive thing to be was a duke or an archbishop; they paid ten times as much as a doctor of divinity, 100 times as much as a gentleman, and nearly 300 times as much as a person who was not even a gentleman. We have changed that nowadays, and sometimes it is the person who is not even a gentleman who pays the most. (Applause.) I have said something in praise of

the high standard of the British taxpayer; I have said nothing about the high standard of honour of accountants in taxation matters. I have said nothing about that because it is the sort of thing that goes without saying. It would be an impertinence in me to commend it. I have to couple with this toast the name of my friend Mr. Keens, and if I can say as I can say with truth, that there is no one better qualified than the Chairman of the Board of Inland Revenue, from his knowledge of the work that you do, to propose with all his heart the continued prosperity of your Society. I can say also with equal truth that no one is better qualified to serve as the type of all the virtues of the accountancy profession than Mr. Keen. (Applause.)

Mr. THOMAS KEENS (President of the Society of Incorporated Accountants and Auditors) responded. He said the Civil Service of this country was a matter of great national pride; it was permanent, and was not affected by a change of Government. In these days of high taxation, when a large proportion of the citizens' income was expended by the State, when the State was, to a large extent, a sleeping partner in industry, the administration of taxation must be fair and equitable, and from his practical experience as an accountant, he had seen many instances where the Inland Revenue had not only been fair, but had gone out of its way to act fairly. Since he was last in Birmingham the Society had gone into their new building, and in acquiring that magnificent edifice they had builded better than they knew. In addition, they had launched their District Societies Scheme. "With regard to the new building," said Mr. Keens, "I should like to acknowledge with many thanks the notable part which Birmingham played in its financing. Outside London you were one of the largest contributors to that very large sum of money which we required. And regarding the District Societies scheme, I acknowledge with most grateful thanks your loyal co-operation right the way through." Referring to the recent American Congress, Mr. Keens said it was a matter of no small pride that Britain led throughout. The papers contributed by members of the accountancy profession of both the Institute and the Society were the papers which awakened the greatest possible interest on the part of accountants from all over the world. He had been impressed by the fact that everywhere they went in America they noticed signs of the greatest possible uneasiness at the trend of affairs. Mergers, amalgamations and trusts were beginning to worry the American thinker, who was beginning to ask where it was going to end. Personally, he had always protested against regarding the rationalisation of industry as the only possible solution of the ills from which trade was suffering. There must be amalgamations in some industries to eliminate wasteful competition, but large industrial units were not necessarily superior to smaller ones. Birmingham was noted as the city of mixed industries, and it had the capacity of adapting itself to changing conditions. In the *Financial Times* of November 11th there was a report of a Congress in America, in the course of which it was stated that there were grave dangers in the concentration movement. It was well to have that from the other side of the Atlantic, where they had been led to suppose that nothing but the largest of industrial units could possibly exist. So far as their Society was concerned, they had shown consistent progress, and he felt that he could rely upon them to maintain the high standard of professional training and qualifications, and of the professional conduct of their members. (Applause.)

Mr. ALEXANDER RAMSAY, O.B.E. (Chairman of the Engineering and Allied Employers' Association), gave the toast "The Birmingham and Midland Society of

Incorporated Accountants." Such a Society, he said, needed little commendation and no justification. The educational standards on which they insisted were a guarantee of efficiency. Accountancy had become a great and popular profession, because it met the needs of the times. It had risen to meet the needs of industry, which had become more and more complex, and the more industry made use of the concentrated skill and experience of their profession the better it would be for all concerned. Naturally, industry turned to members of their profession to relieve them of the embarrassments of the County Court Judge, the Registrar, and the Official Receiver in Bankruptcy. (Laughter.) He coupled with the toast the name of Mr. Ernest T. Kerr, their President, a Scotsman born in Yorkshire—(laughter)—and therefore the best kind of Scotsman. (Hear, hear.)

Mr. ERNEST T. KERR (President of the Birmingham and Midland Society of Incorporated Accountants), in responding to the toast, said they had with them Sir Ernest Gowers and many other distinguished persons in the professional and civic life of the city. The Inland Revenue to-day loomed very large in all their eyes, especially those of accountants. Incidentally, it also touched their pockets. (Laughter.) "We cordially welcome Sir Ernest Gowers as evidence of the good feeling existing between his Department and our profession. We are pleased to see Mr. Keens, the President of the Parent Society, who has done so much for Incorporated Accountants and the accountancy profession generally. I am told this is his last official appearance as our President. He has never spared himself in any way during the time he has been President. Nothing has been too much trouble for him if it has been for the benefit of the Society or the profession. He has earned the thanks and appreciation of every accountant, and every member of the Incorporated Society." (Applause.) Continuing, Mr. Kerr said that the Birmingham and District Society was established 38 years ago; it embraced Birmingham, Shrewsbury, Coventry, Kidderminster, Dudley, Wolverhampton, and all around the Midland district, and had at the present time 350 members. There was also a Students' Section, which to a large extent managed its own affairs. Lectures were given by recognised authorities in their respective spheres during the period from September to March each year. There was a good library, which was open to members and students, and a nice room for meetings and the use of members. In conclusion, Mr. Kerr said, "I should like to thank our Hon. Secretary, Mr. Platts, both on my own behalf and on behalf of the Society, for the excellent work he has done during the past seven years. He has had a great deal to do, and he has done it willingly and efficiently. (Applause.) I wish also to thank the officers and members for their loyal support and co-operation during my term of office."

Mr. T. HANNIBAL, F.S.A.A., submitted the toast "Our Guests." It gave them much pleasure, he said, to entertain so many distinguished guests, eminent in the civic and commercial life of the city. They took the presence of Sir Ernest Gowers as representing the co-operation

that existed between the officials of Inland Revenue and the members of their profession, who acted on behalf of the taxpayers. They were glad to welcome Captain Wiltshire, the efficient Town Clerk of Birmingham. The Chamber of Commerce had never been better led than by its present President. To all their guests they extended a warm welcome. (Hear, hear.)

Mr. REGISTRAR GLANFIELD, I.L.B., responding to the toast, said that members of their profession came before the Registrars in several capacities, viz, as receivers of property, as trustees in bankruptcy, and as liquidators of companies, and they were looked upon in the Courts as the guardians of commercial morality. He was aware that the word morality was difficult to define—(laughter)—but they were the guardians in the sense that they looked after other people's affairs and books. Even in the city of Birmingham there were people who, to put it mildly, indulged in very unbusinesslike methods. There was no more common complaint made than that proper books of account were not kept. That was where their Society could render great service to the Courts and the public generally.

Mr. CLEMENT HOULT, A.S.A.A. (Official Receiver of Birmingham), also replied. In addition to being a guest he was also an old member of their Society. (Applause.) He would like to refer to the splendid work on behalf of the Society of Sir James Martin, upon whom high honour had been conferred. Their calling was of the utmost importance. Only by keeping proper books of account could a trader keep off the rocks.

Mr. P. J. HANNON, M.P., proposed the toast of "The Chairman." It was appropriate, he said, that they should have kept the politician to the last. There was evidently a determination to establish a proper understanding between the profession and the Board of Inland Revenue. (Laughter.) He warned them against meeting their Chairman on the links when there was half-a-crown on the game. There his true Aberdonian instinct asserted itself most fully. (Laughter.) Their profession was rendering service of incalculable value to the commercial community.

Mr. E. T. KERR, in responding, said he had had one or two half-crowns from Mr. Hannon, but they had always liquidated them. (Laughter.)

The dinner was a striking success, and the arrangements were admirably carried out by the Honorary Secretary, Mr. T. Harold Platts.

## INSTITUTE OF ARBITRATORS.

The Institute of Arbitrators (Incorporated) has arranged for a series of six lectures to be delivered by Mr. W. E. Watson, Barrister-at-Law, on the subject of "Contract—Illustrated by Building Cases." They are to be held at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, from January 16th to February 20th inclusive. The lectures are in the nature of a post-graduate or "refresher" course, and commence at 4 p.m. each Thursday.

Attendance is not confined to members of the Institute, and anyone interested should apply to the Secretary of the Institute of Arbitrators (Incorporated), 10, Norfolk Street, Strand, London, W.C.2. The fee for the course is one guinea.



## The Changing Gold Standard.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. O. R. HOBSON,

Editor-in-Chief of "The Financial News."

The chair was occupied by Sir JAMES MARTIN, Incorporated Accountant.

Mr. HOBSON said: When some months ago your Secretary asked me to come here and talk to you to-night, and I had on the spur of the moment to think of a subject, I pitched on a subject which seemed to me of a fairly general character and one that occurred to me at the moment. But it does seem that there is a certain appropriateness at this particular moment about the subject of the gold standard on three grounds. The first is that within the last week or so our Chancellor of the Exchequer has appointed a Committee, with very wide terms of reference, to inquire into all the questions of banking, finance and credit. I do not imagine that that Committee will attempt to rove over the whole subject of the gold standard, because if it does so it will never get finished. The second reason why it is particularly appropriate at this moment to consider anew some of the issues which arise out of the gold standard of currency is that we are passing through an exceptionally interesting and an exceptionally critical time in the world's monetary history.

In the last year or two, as you all know, a Stock Exchange boom of a most unexampled character has been raging in the United States. That boom has now broken and given place to one of the most remarkable slumps in history. The boom, and now the slump, have, of course, their aspects connected with central banking policy and high finance, and there is very little doubt that a grand inquiry will presently be undertaken in the United States to discover the responsibility of high finance for aiding and abetting this boom and to consider whether any remedies are possible.

Finally, there is another ground on which my subject seems to be appropriate at this particular moment, and that is that an International Committee has just been sitting at Baden Baden to settle the Statutes of the proposed Bank of International Settlements—a bank which is chiefly to be concerned with the receipt and payment of reparations, but which, in the view of some people, is destined, or at any rate it is hoped, to ultimately play a very great part in international finance.

If we compare our monetary system as it exists at present with that which existed before the war, there are, I think, two changes of especial significance and importance which can be seen. The first change—it is one which is obvious to everybody, but it is nevertheless a very fundamental change—is that gold coinages, almost all over the world, have ceased to exist, or have ceased to be employed in actual circulation. In this country, before the war, the greater part of our gold—considering the gold holding of the country as a whole—the greater part of our gold was in circulation and in the tills of the joint stock banks, and only a comparatively small part, about one-third, was in reserve in the issue department of the Bank of England. As a matter of fact, the Cunliffe Committee on Currency estimated—I think at June, 1914—that there were 38 millions of gold in the Bank of England and 123 millions circulating in the country and held by the joint stock banks.

Now, of course, as you know, the whole of our gold reserve is concentrated in the hands of the Bank of England. There is no longer gold coin in existence in this country, and, what is more, Bank of England notes are no longer convertible into gold coins; they are only convertible in considerable amounts into gold bullion where gold bullion is required for export. So we may say, now, that whereas before the war the Bank of England reserve was a reserve partly to be used for international payments, if the balance of trade went against this country, and partly for any drain or extra demand for currency within the country, now the whole of the reserve is held solely for international purposes, to settle international balances if those cannot be settled through the machinery of the foreign exchanges.

But although that change has taken place, the constitution of the Bank of England, and in particular the division of the Bank of England into two departments, has not been changed. We still have the Issue Department, which carries on the function of issuing only, issuing notes against gold and converting gold into notes, and the Banking Department, which is a purely banking institution. We still have this dual arrangement, though with the disappearance of a gold internal currency the need or the reasons which were responsible for that dual constitution have disappeared. Our gold reserve is now held only for international purposes; it is no longer required against a domestic crisis. But although that change has taken place it still remains the case that you can only get gold by acquiring possession of bank notes—and for practical purposes in large quantities you can only get bank notes by acquiring a credit at the Banking Department of the Bank of England and using that deposit to take the notes out of the Banking Department into the Issue Department, and there exchange them for gold.

Now, normally the reserve of the Banking Department varies between, say, 30 and 50 millions—we will call it about 40 millions. The result is that though in the Issue Department you have a reserve of 130 millions—the purpose of which reserve, as I have said, is solely to provide for a foreign drain—you can only get at that reserve by getting hold of bank notes, and you can only get hold of 40 million notes at the outside in the reserve of the Banking Department. So that, short of producing a crisis of absolutely the first magnitude, two-thirds of our gold reserve is immobile and not in fact available for the only purpose for which it is now designed.

I am not going to argue now whether the system of two departments should be ended. For all I know it may be discussed by the Banking Commission. It may be said, at any rate, that nobody starting a new Bank of England under the present conditions would dream of separating those two departments. And, of course, the situation is now not quite as absurd as it was until 1928, because we have, under the provisions of last year's Bank Notes and Currency Act, the famous elasticity clause—what they used to call in the old days a "relaxing power"; that is to say the Bank of England and the Treasury, acting in conjunction, are enabled under this Act to increase the fiduciary issue—in other words to increase the amount of notes issued against securities, with the result that if the need arose it would be possible to liberate a certain further proportion of the gold held in the Issue Department of the Bank of England.

Now I want to emphasise this point about the abandonment of gold coinages almost throughout the world, because it is a change of absolutely vital significance. It was a change which arose, of course, owing to the rise



in prices during the war and the consequent need for economising in the use of gold, but actually, of course, it cuts away half of the foundation of the gold standard itself. Gold was chosen originally as a medium of exchange partly because it had certain qualities—it was scarce and relatively stable in value—but very largely because, when it was made up into ornamental discs, gold coins, it was acceptable to the man in the street. It was the gold coin which appealed to the man in the street as the desirable store of value and the desirable medium of exchange. That fundamental origin of the gold standard has now largely disappeared.

The gold standard is not going to live for ever. It may have a short further life or a long one; that depends on many things and largely upon the fresh discoveries of gold. Some day, at any rate, it will be superseded by a new and, let us hope, a better system, and when that time comes this disappearance of gold coinages during and after the European War—1914-1918—will be recognised as one of the principal nails in the coffin of the gold standard.

I want now to pass to another very important change which has taken place in the gold standard since before the war—or rather it is a change not in the gold standard itself but in the attitude of the world towards the gold standard. A new idea has arisen, and that idea is that gold must no longer be free—if it ever was, which I shall dispute in a moment—to work entirely as it likes, but its value must be controlled, “managed”—to use the technical term which is now applied to it—managed by the central banks of the leading countries acting in co-operation. It must be managed in such a way that its purchasing power, expressed in terms of commodities of all kinds, must be kept if possible reasonably constant.

I would like to develop the sentence I have just used about the management or control of the gold standard and the suggestion that the gold standard was never “managed” before, that it was entirely free to operate just as it liked. If we think about the matter at all we shall soon come to the conclusion that, as soon as you build a structure of credit on gold, the gold standard can never be entirely automatic. If all your money is gold there is nothing that a central bank or any bank can do to “manage” it. Its value is determined “automatically” by its quantity in circulation in relation to the volume of exchangeable goods. But as soon as the goldsmiths in this country—the early bankers—conceived the notion of extending credit on the basis of gold the gold standard ceases to be automatic. To build credit on a foundation of gold is to accept a coin of gold or a bar of gold on deposit from some customer—speaking from the point of view of the goldsmith—and thereupon to give not merely to that customer the right to draw that gold but to lend to another customer or other customers the right to take delivery of that same bar of gold. As soon as you do that, as soon as you cease merely to take charge of a lump of gold for a customer, as soon as you start this lending business, then human choice enters into the matter and the “automatic” element about the value of gold disappears. It disappears because the goldsmith or the banker has then got to make up his mind as to how many people, other than the original depositor of this gold, he can or dare give the right to demand delivery of that piece of gold from him. And the considerations which in practice have decided the amount of credit that bankers can venture to build upon a given foundation of gold are fairly clear. The banker wanted to make as good profits as he could, and therefore he was anxious to extend as much credit upon a given holding of gold as he could. On the other hand, bankers were desirous of remaining solvent, and they soon found out that if

they gave too many people the right to draw the same piece of gold, some man came along and actually drew it and another came along and it was not there. So that the amount of credit which in practice became based upon a given supply of gold was determined by the desire of the bankers on the one hand to make profits, and their desire on the other hand to avoid bankruptcy.

Of course, experience in the course of time taught bankers how to steer a safe course between these two extremes—the extreme of unlimited profit and the extreme of bankruptcy.

If we consider the last century a great element of luck came in. The amount of gold which was delivered by the mines of the world increased with increasing trade and increasing prosperity, and it enabled the business of the world to be carried on upon a price level without any catastrophic disturbance of the price level. That, however, was largely a matter of luck, because although gold could never have become a money if it had not had this quality of usually remaining fairly stable in its purchasing power, it is quite certain that central banks before the war rarely, if ever, consciously considered that attribute of gold in determining their policies. The Bank of England and the other central banks regulated their bank rates and their extension of credit on considerations of which stability of the general index level of commodities, of the general price level, was certainly not one. Then, of course, came the war with its shattering effect upon commodity prices and upon trade and the economic position of every country in the world; and the events of the war and, still more, the events of after the war, brought this idea of stability of gold prices acutely to the consciousness not only of bankers and economists, but of the business world as a whole. This fresh claim that central banks must not merely consider whether a customer who wanted a loan was a responsible person likely to pay back his loan, but must also have regard to the general index number of commodity prices and must aim at preventing undue fluctuations in that general index number—that was an entirely new idea.

It is quite probable—I am tempted to say it is almost certain—that since this idea has fastened on so enthusiastically there has been a tendency on the part of economists, possibly, certainly on the part of the general public, the business man, to exaggerate the power of any central banking organisation by its credit operations and its rate charges to maintain a stable level of general prices. There has also—and here possibly I shall be saying something that is more controversial—there has also been to my mind a tendency to exaggerate the inherent desirability of the stable price level.

It is said that natural justice urges that prices should be kept stable, that people who enter into contracts for the borrowing and lending of money for considerable periods have unconsciously at the back of their minds the idea that when the loan is paid off—say in 20 years' time—the lender shall receive the same quantity of goods, goods-in-general, as the quantity represented by the money which he lent, and that the borrower shall pay back the same quantity of goods in general as that which he borrowed. There is an idea that if I lend your Chairman a sum of money to-day which is equivalent to a sack of wheat plus a bushel of apples plus a hundredweight of steel plus the cost of pulling out a tooth, that he in 20 years' time shall deliver back to me a sum of money which shall then be equivalent to a sack of wheat plus a bushel of apples, plus a hundredweight of steel, plus the cost of drawing out a tooth.

Well, that sounds reasonable on the face of it, but I am not so sure that it is reasonable. Supposing that in

the 20 years of the currency of that loan production and prosperity have so increased that where the world had then one sack of wheat it now has two, that where the world produced one bushel of apples it now produces two, and where the world produced a hundredweight of steel the output has gone up to two hundredweight, and where a man had one tooth drawn then he will now have two teeth drawn—in that case it seems to me it might be quite reasonable to say that your Chairman ought to pay me back a larger quantity of real value than that which he borrowed from me to-day. That is to say, absolute stability of prices does not take account of the probability of an increase in the general productiveness of the world and does not take into consideration that an increase in the material prosperity of the world may alter what appears to us now as an elementary consideration of justice. However, that is somewhat in the way of a digression. All I want to point out is that this doctrine of the stability of price level as a thing to be desired is not quite so obviously true as it might appear.

If we leave the realm of theory and come down to practice, we shall all agree that if it is possible, and in so far as it is possible, our central banks ought to manage their affairs so as to ensure a reasonably constant price level, or, at any rate, not to do anything which will disturb it violently.

If we agree upon that, we at once proceed to the discovery which all those who thought about this matter just shortly after the war at once came to. It is that the central bank of one country alone can do very little in the sense of regulating the price level. If the Bank of England so managed its lending and its bank rate that prices here kept stable, and if prices in other countries were rising, there would be such disturbances to our trade and to our exchanges that we should very shortly have to fall in with the rest of the world and allow our prices to rise or fall as the case might be.

The result of the recognition of this truth, that if the central monetary authorities are to succeed in doing anything to control the level of gold prices they must co-operate with one another, led to the holding of one of the most important of the numerous International Conferences which have taken place since the war—the International Conference at Genoa in April and May, 1922. This Genoa Conference, amongst many other things that it reported upon, recommended that the Bank of England should later on summon a meeting of central banks, and that at this meeting an International Convention should be submitted. The purpose of this Convention was, in the words of the report, "to centralise and co-ordinate the demand for gold and so to avoid those wide fluctuations in the purchasing power of gold which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves."

The gentlemen assembled at Genoa saw that one of the great dangers which would arise would be the "grabbing" for gold by central banks out of motives of prestige or out of false notions, as we think them, about the monetary function of gold in the present day; they saw that the result of efforts on the part of one central bank to strengthen its reserves at the expense of other central banks, would be to increase the demand upon the world's stock and the world's supply of gold in such a way that the value of gold rose and the value of commodities expressed in terms of gold fell.

In this country after the Genoa Conference great hopes were entertained of the possibility later on when currencies had been stabilised, when the worst causes of

inflation had disappeared—great hopes were expressed that it would be possible to proceed to the next stage—the working out of a scheme of international co-operation. Those hopes have been disappointed. A certain number of central banks, of which our own is a conspicuous example, have all along striven conscientiously and self-sacrificingly to move along this path of international co-operation. But if we look at the situation now, as it exists seven and a half years after the holding of the Genoa Conference, we cannot but agree that, despite these noble efforts of a limited few central banks, the progress towards any real co-operation has been extraordinarily little.

I want to mention two particular instances in which it strikes me that this failure to secure any real degree of co-operation is manifested, or rather, I should say, not only the failure to secure co-operation, but the failure of the whole idea of this new monetary régime. The control of prices and co-operation have failed. First of all, of course, there is the astonishing course of monetary events in the United States in the last two or three years—this amazing Stock Exchange boom in which securities were lifted sky high and in which literally millions of people, probably for the first time in the history of the world, became at the same time speculators on the Stock Exchange.

The Federal Reserve Board, or perhaps one should say the New York Federal Reserve Bank, which is the principal central bank of America, tried hard to control that boom, to limit the amount of credit which was being pumped into the Stock Exchange and without which the boom could not have taken place, but nobody can say that it has been highly successful. Its task was extraordinarily difficult for many reasons which I cannot enlarge upon now. The principal reason, to my mind, is that in America, although they have now a strong and apparently stable banking system, they have not the traditions that we have in this country. In this country few people know what the Bank of England rate means. I might almost say that nobody knows what it ultimately means, but nearly everybody knows sufficiently of what it means to know that if the Bank Rate is raised, that is a signal of caution or of danger, and that one should not enter into commitments quite as freely as before it was raised.

In the United States that signal was not recognised in the same way, and the result was that when the Federal Reserve Bank of New York tried, by raising its rate and by various utterances, to control the Stock Exchange boom and to limit the creation of credit, what happened was that, though the member banks listened to this warning, nobody else did. Big corporations, big depositors in the banks, said, "If we can get 6, 8 or 10 per cent. outside we will take our money out of the banks and lend it on Wall Street." So the big corporations lent their money on Wall Street. That has never happened here to that extent. The big trading corporations do not lend their money on the Stock Exchange, and the result is that the Bank of England is enabled to keep its hands on the controls.

In America the task of controlling the situation was made enormously more difficult by the chaotic conditions which arose through people taking their money out of the bank and lending it to the Stock Exchange to finance speculation. Well, as you all know, the situation in America has led to very serious embarrassments and difficulties on this side. For years on end it has been possible to lend money on Wall Street at rates rarely below 6 per cent. and rising occasionally to 12 and 15



per cent. and even higher on very good security—call money. As a result of that fact enormous sums have been attracted from Europe partly to invest in rising stocks—actual investments on the Stock Exchange in New York—and, still more, as far as the banking funds were concerned, to lend on Wall Street upon call. The result, of course, has been that the cost of credit here has risen—and when I say here I mean all over Europe—has risen, much to the embarrassment of our traders and much to the embarrassment of our bankers.

Here we have the failure of the central banks of the wealthiest country in the world to control a situation which has become so awkward for the rest of the world. You have this awkward failure of the Federal reserve system to control that situation. Secondly, you have had a failure among the central banks in Europe—a partial failure anyhow—to co-operate one with another so as to meet in the best possible manner this terrific pull of funds to New York. The force of that pull has largely been felt by London, not so much because English banks and finance institutions have lent money in New York—relatively they have lent very little compared with other European countries; the force of the pull on the London market and the loss of gold which it entailed were not due so much to our own operations as to the fact that we are the clearing house for the whole of Europe, that the demand for dollars by any country in Europe usually passes through London, with the result that our sterling dollar exchange has to stand a good deal more than the mere demand of people in this country for dollars.

Well, as I say, I do not think that the amount of co-operation which has been possible in the last year or so has been anything to boast about. I am not at all sure that our efforts towards co-operation compare very favourably with those which were brought to bear in the year 1907—the year (apart from the war) of the last great international monetary crisis, which everybody is now looking up and attempting to use as a means of divining what is going to happen within the next few weeks. I do not want to make out that there is any great similarity between the recent slump in Wall Street and the crisis in 1907. The crisis of 1907, which took place in the latter part of the year, in November, was not a Stock Exchange crisis at all; it was a banking crisis. There had been a Stock Exchange crisis very similar to the one we have just had now in Wall Street, but that took place six months earlier; the boom was at the end of 1906, and a terrific collapse of Stock Exchange prices took place in the early months of 1907, and it was not until later—in October and November, 1907—that the real crisis came and the suspension of banks and the rush for currency and the demand for credits in London.

This has nothing to do with the subject of my lecture, but I do not want anyone to think that I am supposing that what is happening now in any degree really resembles what happened in 1907. There was, however, a remote resemblance in this way, that in 1907, as this year, rates were high in America and money was drawn from Europe to America both in 1906 and 1907, and when the crisis came in 1907 and America was raising credits wherever she could, there was a tremendous pull on the sterling exchange and a large flow of gold from London to New York.

I have here a quotation from Mr. Hartley Withers, whose book on "The Meaning of Money" you have probably read. I would like to read what he says as to what happened in 1907. He is dealing in this particular passage with the part played by the Bank of France,

and though I do not want to stress the matter, there is no reason for concealing my view that the Bank of France has played a very awkward part in the last year in the course of this crisis. This is what Mr. Hartley Withers says:—"At times of crisis even the Bank of France is unable to ignore altogether what is happening in the outside world, which is wanting to turn securities and commodities into gold.

"In the last quarter of 1907, for example, when the American crisis threw an exceptional strain on the world's money market, the Bank of England faced the position with cool-headed readiness, and was prepared to meet all demands on it from America, and to reinforce itself by putting its rate up and drawing in gold from other centres. The determination which it showed finally compelled the Bank of France to take some share in the international burden and to send three millions of its gold, not to America but to London, whence it knew that it could rely on getting it back. It has been commonly stated that the Bank of England asked it to carry out this operation, but this is quite untrue. The whole arrangement was made outside the Bank of England, which approved of but by no means asked for it. The Bank of France made an excellent and profitable investment in sterling bills, and helped to mitigate a storm which threatened the French monetary community with unpleasant consequences. And at the same time it was enabled to pose very gracefully as fairy godmother to the world at large, and superficial observers cried out that there must be something in its management that enabled it to play this pretty part."

Well, we can hardly say that the Bank of France has played a pretty part in these recent months. So far from sending even a miserable 3 millions of gold to help Europe in these critical times the Bank of France has this year imported from this country, I think, 27 millions of gold. In the last twelve months the Bank of England has lost 33 millions of its gold reserve, Germany has lost 15 millions, but France has gained 80 millions.

The gold holding of the Bank of France at the present moment is equivalent to 320 millions sterling, so that in the last twelve months, during which the rest of Europe has had to suffer a depletion to some extent—in our case almost to a dangerous extent—of its gold reserves, the Bank of France has increased its reserve by one-third. At the present moment France holds 320 millions of gold, the Bank of England holds 131 millions, Germany 111 millions, and Spain 102 millions. So that the three next largest gold holders in Europe hold between them 344 millions and the Bank of France holds only 20 millions short of the combined holdings of those three next largest gold holders.

Well, I am not going to say any more. I simply adduce these facts to show that Europe as a whole can hardly congratulate itself on the progress which it has made towards realising the ideal of the Genoa Conference in co-operating and co-ordinating the demand for gold. The fact of the matter is that the French, rightly or wrongly, have an entirely different attitude from ourselves towards gold. We have to some extent lost faith in gold; we no longer require it in currency—of course, the French do not either—but we have not got that abounding faith in gold that we once had. We want to control it. The French believe that gold is "It" and that nothing counts but gold. They may be right or wrong; the only point I want to make is that their view disagrees with ours and, that being so, and as long as it is so, it is difficult to see how any great progress towards achieving the ideals laid down by the Genoa Conference is possible.



## Discussion.

The CHAIRMAN: Mr. Hobson's able and interesting paper is now open for discussion. We all know that there has been a recent change in His Majesty's Government, and that change has released to the society of his friends Mr. Arthur Michael Samuel, M.P. It is a very great pleasure to me to have him sitting by my side to-night, instead of being compelled, as I have been during the last few years, to pay my respects to him across a broad table at the Treasury. To show how much I rejoice in the freedom which he has regained, I am going to ask him to address you first.

MR. ARTHUR MICHAEL SAMUEL, M.P.: Sir James Martin, when you came to us at the Treasury I am sorry to say we were not able to accede always to the wishes you laid before the Chancellor of the Exchequer and myself. But on this occasion, when you bade me come and join you at this lecture and invited me to dine with you, I was delighted to come and I accepted at once. I am very glad now that I have come. We have listened to a most important and a most useful explanation of the gold standard. There are many in this room, and I among them, who regard the study of economics as an intellectual pleasure—a recreation. Some people talk about the science of economics as being dull. I am sure it is not so. Many of us find economics as interesting as a chess problem or a bridge problem, and we serve in the temple of economics as eager votaries. Unfortunately, during the last few years, beginning at about the time that Mah Jong came in, people who know as much of economics as they do of the fourth dimension have laid down the law about currency and credit, both in the House of Commons and outside, and have done, I think, a large amount of mischief. They knew and still know nothing about currency and credit, but they express dogmatic opinions upon these abstruse subjects. If I am going to join without preparation in this discussion to-night, I must ask that it be understood that I give my views as a student, with bated breath and in all humility, for I am seeking for information rather than giving advice. Many of those who give expression to dogmatic opinions about economics seem to forget that economics is not an exact science like mathematics or astronomy. It has laws and axioms, but it is an opportunist science. If you try to break the laws of economics they will break you. You cannot break the axioms of supply and demand. If you try to do so they will break you. But although there are these laws and axioms, as Mr. Hobson has told us, the reactions of these laws and axioms are varied very often by changing circumstances and altered conditions. He has pointed out one cause of variation to you to-night—the plentifulness or the scarcity of raw gold from the bowels of the earth. If gold is plentiful, or if gold is scarce, in production, the supply will vary the general price level. And there is another thing of which I would remind you. Notwithstanding all the laws and axioms in relation to currency and credit and the gold standard, a new condition or practice has recently been set up. It is this: that much to our surprise certain of the Central banks have been moving gold internationally without any regard whatever to the rate of interest or the rate of exchange.

The gold standard, as I listened to Mr. Hobson, seems to me to have one positive characteristic which not only renders it so valuable in commerce but also renders it so useful as an intellectual exercise in our consideration of it. Some of us study, we will say, philosophy, and we need a measuring rod for our theories in philosophy. That measuring rod is Truth. In commerce—that by which the whole civilised world gets its living—we need a measuring rod, and for the time being it is the gold standard. If you ask anyone to define the measuring rod of philosophy—Truth—you get merely a shrug of the shoulders. Who knows what Truth is? But if you ask anyone to define the measuring rod of commerce—the gold standard—you will get a positive and definite answer, that the gold standard in relation to the £ sterling is 113½ grains of pure gold, worth 4.86½ dollars, or 124.21

frances, or 20.43 marks, or you can exchange and interchange one against the other. You have thus a standard of currency truth by which you know how to trade; it is a measuring rod which is only varied by the cost of such things as interest, freight, insurance, and so on.

Now I will offer a few running observations on the lecture, as Sir James has invited me to do so. The paper to which we have been fortunate enough to listen, as delivered by Mr. Hobson, is so valuable and—if I may use a colloquialism—so full of meat, that it is ungracious and perhaps dangerous to start discussing it without having carefully read it over two or three times and studied it by one's own fireside. But there is one view which I will put forward. Mr. Hobson said that gold has passed out of circulation. Well, I go further and say that so long as I am alive I shall never hope to see, for internal use or for internal contracts, the circulation of gold coin again in this country. However wealthy a man may be, or however good his credit, however able he is to pay you, the old saying "I do not think I shall see the colour of his money" will hold good, though not in the old derogatory sense. You will never see the colour of a golden sovereign in normal circulation in this country in my lifetime, I think.

I did not like to hear Mr. Hobson speak disrespectfully of the dual system of the Bank of England, namely, the Issue Department and the Banking Department. I am not a financier; I have never had anything to do with the active business of finance. I have never on my own behalf accepted a bill of exchange in my life—I am connected with industry only. So I do not speak as a financier or banker. I say I did not like to hear Mr. Hobson speak in mildly derogatory terms of the dual system of the Bank of England for reasons which I will give you. He is quite right in saying that if there is any stiffness about it, any inelasticity, we have nowadays provided for it. For, if you will remember, when I introduced the Currency and Bank Notes Bill in the House of Commons, about eighteen months ago, I took care to explain that we had power to expand and to restrict the fiduciary issue by Clause 8 of the Currency Bill which is now an Act. I would advise students in this room to read the whole Debate on that Act. It is one of the most important and interesting Acts of Parliament passed in our generation relating to finance and economics or since the Bank Act of 1844. The reason I feel uncomfortable because Mr. Hobson has spoken in not very complimentary terms about the dual departments of the Bank of England is because I remember this fact. Now this is a nice clear November evening. Go at this moment on to the Tower Bridge, let your eye wander down as far east as the sea, and you will see the twinkling lights of steamers, forests of funnels, miles of factories and warehouses filled with goods from all over the globe. Come up again westward and look at the City and you will see the twinkling lights in the banks, insurance offices and business houses and other bee-hives within a radius of 500 yards of the Bank of England. Where does that prosperity and employment come from? Why has London become the emporium of the world? Why, because people who are abroad, who bought from us and sold to us, could see by the Issue Department of the Bank of England, under Peel's Act of 1844, that if entitled to £1 they could get 113½ grains of pure gold on every occasion for that symbol known as the £ sterling. We owe no small debt of gratitude to the Issue Department of the Bank of England, and the principle and evidence that it set up, in that it did convey to the world at large that the £ sterling in London—at the Bank of England—was worth and would secure 113½ grains of pure gold, dead or alive. Therefore I cannot sit down without putting in a word of defence and gratitude for that dual system, which has done us a great service in making Britain what she is in the trade of the world.

We must also consider what Mr. Hobson said about luck—that it has indeed made the price level stable. This is not a time for me to tilt a lance with him, but I do not

like the word "stable." This table that I am now touching is stable in relation to the floor: it is almost immovable. I do not know that the word "stable" in relation to currency, credit and the gold standard is quite the word we ought to use. What we mean is freedom from violent fluctuation, not rigidity and immobility. That does not mean "stable" in the true sense of the word, and I hope we shall find a word which expresses our meaning much better. It is like the loose word "rationalisation," which does not mean all that we intend to convey by the expression. Mr. Hobson himself presumably does not mean a rigid or fixed value-position of gold; he would, I fancy, allow the commodity value of gold to oscillate within reasonable or narrow limits, and therefore the word "stable" goes rather further than he means.

Mr. Hobson spoke of luck with regard to the relative effect of the growing volume of goods and trade and prosperity upon the increase in the production of raw gold in the 'nineties and the early part of this century from the Transvaal mines. It was not quite luck which then helped to keep a fairly steady—I will not use the word "stable"—fairly steady general level of prices. Never forget India. Ever since the time of Tiberius, about A.D. 25, people have been complaining that too much gold went to India. India has always been a quicksand or a sponge for gold, and for many decades India has soaked up gold, abundant or redundant. When gold was produced in great volume after the mines were opened up in the Transvaal, instead of the gold coming here much went to India. I am certain that the experts in exchange and currency, those who had to do with the fixing of the rupee position and the policy of the Indian mints, bore in mind that it was a good thing to let gold go to India. Why? If it had come to London we would have had an inconvenient rise in the cost of living, which would have done us much harm. It was not luck, therefore, which kept the general price level steady. I think the expert management—the expert knowledge of the persons dealing with the Indian mint situation—did help us very considerably by allowing large volumes of gold to go to India in those abundant days so as to prevent a rise in the cost of living here.

Now as to the future. I am not going to prophesy or dogmatise. Every sentence I use now has to be assumed to have a note of interrogation at the end of it. Some have said, I believe, that prices generally will fall. I am inclined to think that, unless we find more raw gold in unexpected places in the world, the high cost of producing gold from the mines and the fact that the mines of the Transvaal are getting worked out, will likely result in a reduction of gold available for credit purposes and currency purposes, and there will be more banks coming along, as Mr. Hobson says, greedily scrambling for it. This would cause a fall in the general price level of commodities. If there is a scramble for gold, or if it becomes scarcer, it means that there will be a fall in the price level of everything that is called a commodity. But against that do not forget that they are now using in the Argentine a pedigree wheat; that is to say, they will get much more wheat to the acre than they have done hitherto. They are using in Canada a wheat which will reap some days earlier than the wheat they have hitherto been growing. This will bring land in higher latitudes into the wheat-growing areas. That means to say, you may possibly get cheaper food, more abundant food, and bigger harvests, with the result that the cost of production and the cost of living will fall. You may thus be able to bring into production mines in the Transvaal which recently have not paid to work on account of the high cost of getting the gold out of the earth.

Again, it might happen—it is conceivable, for we are groping and we are thinking—it might happen that the Central banks may find it necessary, if they stick to the gold standard, to own and work gold mines themselves, just as the great steel works and iron works have found it necessary to own collieries. It may be that the Central

banks may come along and say, "We are going to own and work gold mines."

Then there is another thing. Do you reflect, ladies and gentlemen—I am sure Mr. Hobson knows it—that 40 per cent. of all the gold produced to-day goes either into dentistry or the arts? It may happen that the dentists will say, "We will have platinum, instead of gold, for mending teeth," in which case you will have a reduced requirement and the gold released may come into use for credit or currency purposes. I am not going to dogmatise about these things; I am merely throwing that ball down for you to kick about. But of one thing I am perfectly certain, and that is that, as time goes on, you will have a plentiful supply of currency cranks. You will have all sorts of Societies set up who will talk dogmatically about bi-metallism, or a platinum standard plus gold, and things of that sort, or, as motor cars come into further use, they may wish to take a scarce article and use it as a standard, such as horseshoes. (Laughter.)

It does not do for me, as a former Financial Secretary to the Treasury, to pass opinions about the American Federal reserve, and I am not going to give any opinions about it. But my friend, Mr. Keens, and I are agreed upon this following view. Whatever has happened, whether it is under the American Federal system or not, a practice has sprung up in America which, in my opinion, is wholly unsound and vicious—the O.P.M. system—living and trading too extensively on Other People's Money. The instalment system has induced people, under the specious and wholly fallacious name of "consumer's credit"—which is nothing but using other people's money and pawning income which you have not yet earned—to throw away thrift, the basis of all prosperity. It has induced people to buy on tick luxury goods which they cannot afford and do not really need—luxury goods of a non-productive nature, the buying of which is economic waste. That is a policy which may do in times of abounding prosperity. It might do in prosperous America. I thank God the practice has not come to any great head here. I, as a Minister, and Mr. Keens, as your President, have done whatever we could when speaking in the country to point out the dangers of the instalment buying of non-reproductive luxuries. I say it might do in America, but we have yet to see what mischief it may not bring after the recent Stock Exchange smash in America, not only to those who have signed on the dotted line, but to American producers of goods who may find that the purchasers on tick cannot pay the instalments. Producers will have a large production of which they cannot get rid, and it will put them in a difficulty. That, of course, will repercuss on the banks and instalment financing companies. The system certainly will not do here; we cannot afford to buy on tick luxuries of no reproductive use. We lost so much during the war that we are now a poor nation and must restrict our luxuries to our power of paying cash.

What trade needs, I think, is not what is loosely called a "stable" price level. It needs a general price level freed from violent change. How that can be attained and maintained in changing conditions is for you to think out. But in his lecture Mr. Hobson has provided facts for us to think over and consider. Let us be prepared with remedies to meet any possible shortage of gold and a violent fall in general values, so bad for our workpeople. For that reason I am obliged to you, Sir James Martin, for having invited me to come here, and I am uncommonly obliged to Mr. Hobson for what he has told us. (Applause.)

The CHAIRMAN: I would like to ask the President of the Society of Incorporated Accountants, Mr. Thomas Keens, to say a few words to us.

Mr. THOMAS KEENS: I concur with every remark which Mr. Samuel has made with regard to the interest, the absorbing interest, of the paper to which we have listened, and, like him, I feel some difficulty in compressing within a few minutes the very important points which he has raised and attempting to deal adequately with them. As you are aware, some of us representing



the Society have recently been to America, and when we got there we found that one of our particular duties every day was to give interviews to the various newspapers. On the day of our arrival in New York, I spent the Saturday afternoon—in a temperature which can be very much better imagined than described: all I know is I had not a single rag on me which was not wet through—talking to three Press gentlemen, including the representative of the *Journal of Commerce*, the leading commercial paper in the United States. He was a good economist of pretty high standing. One of the principal questions he fired at me was this: "What does Great Britain think of the largely increased reserve of gold in the Bank of France? Is she not nervous that her commercial supremacy will pass away?" I replied that so long as the Bill of Exchange in London was the finest negotiable instrument in the world, Great Britain did not care a damn. (Laughter.) I say to-day that I see no reason to moderate the opinion I then held. Sir William Plender asked me afterwards what sort of questions he had put to me, and I told him this one and I gave him my answer. He said, "I do not think you could have found a better answer." So that I think I took the right point of view. (Applause.)

But has anyone any idea of what a financial crisis means? I have some friends in America and they tell me that this has happened during that period to which Mr. Hobson has called our attention. Let it be assumed that you are running a factory and that your wages bill is £200 a week. You have to raise £200 between now and Saturday to pay your workers. The banks will not let you have £200, however much you have got there, so what are you to do? The only people who have got any money are people who deal on a cash basis for everything, particularly the restaurant proprietors, so you go and take a cheque round and see what you can do with that cheque. You will probably have to go to three or four people and eventually pay a substantial premium before you can possibly raise £200 in cash to pay your workpeople. That is what my friends tell me they had to do—go round and discount their paper in any place where they had cash, in order to meet their weekly wages. Now we have never had to go through that kind of thing in this country, however badly off we may have been. We have never been up against anything of that sort, and that makes me, in dealing with all currency matters or banking policy, extremely careful about passing any criticism upon our institutions; because, at any rate, whatever their defects may have been, they have let us get through without that condition of affairs. At the same time I am bound to say, and I should not be honest if I did not tell you, that I do consider that the banking policy of any country ought to be determined mainly by its care of industry. It is infinitely more important that industry should have the support it requires than it is that Stock Exchange transactions should be financed. It is infinitely more important that support should be given to big export industries than it is that luxury industries should be supported. It is infinitely more important that the banks should come to the assistance of the great financial Corporations in this country than that they should finance the erection of picture houses and that sort of thing. You will see that I am trying to step into the shoes of bank directors and to tell them how to do their business. Well, we are now very largely approaching the monopoly stage of banking in this country, and I am not at all sure it is not a good thing. When I go to America and see the advertisements of the various banks, I miss the dignity of the British banks, and I would much rather be in the hands of the big five. But they are only entitled to the privileged position they occupy if they serve the public, and therefore I think the State is entitled to say that, by virtue of the privileges which banks enjoy, they should be the servants of industry and not absolutely their masters. Therefore I look for a banking policy and I look for such banking reforms as shall make the banking systems of this country the greatest supporters of productive industry which we can have.

Now I should like to deal with one or two things that have been said. I want to be extremely careful about criticism for the reason I have given, but at the same time it does seem to me, if I may say so, that the argument is with the Lecturer up to now with regard to the dual arrangement of the Bank of England. I go further than that. It seems to me that the time is rapidly approaching when the Bank of England will have to be a bank of the State of England in fact; and for the duties that we are looking to the bank to perform in the future, I am perfectly certain in my own mind that that is one of the things which will come out of it. We shall be told, of course, that this is increasing the power of the political party which for the time being forms the Government of the country, and so on, but I am bound to say it seems to me there is nothing in this world which is wholly good or wholly bad; that the balance of advantage seems to be with closer connection between the Bank of England and the Treasury, knowing as I do all the arguments which may be raised on the other side.

I should like to join with Mr. Samuel in expressing my very great thanks to the Lecturer for the extremely interesting lecture he has given us this evening. I am perfectly sure we shall desire to read and to ponder over at great length the lecture, and probably we shall find in it—I am perfectly sure we shall—a great deal more than any points which I have endeavoured to bring out this evening. I did start by marking on the summary some points which I desired to mention, but I find that the time at my disposal is wholly inadequate, even if I attempted to touch the fringe of the subject.

Mr. A. S. WADE (City Editor of the *Evening Standard*): I am sure you will all cordially hate me if I attempt to make the short speech which I had prepared at this stage of the proceedings. We have had quite a lot given to us to think about, and what I would have said has been very largely said, but in better words, by Mr. Keens in the address which he has just given. I want to make just one or two criticisms. I agree with Mr. Hobson about the dual system of the Bank of England. I think it belongs now to a more or less distant past. The Bank Charter Act, passed in 1844, had no sort of view of what the conditions in 1929 were going to be, and it certainly has deprived the Bank in the past—not so much now that we have got the new Currency Act in force—but it has deprived the Bank in the past of the elasticity which a central bank ought to have. The Bank has at times had to rely more or less, as we all know, upon the Government as its backing, and that does, I think, lead on to what Mr. Keens said towards the end of his speech. I should not go all the way with him upon that particular point, but I do think that the time is coming, and coming rapidly, when the part the Treasury plays in the central banking of the country will have to be a much more definite and much more open part than it has been in the past. I think the whole range of commerce, finance and industry has grown so much that there is coming about a time when the central bank will have to be guided by other principles and probably have a much wider measure of control than it has had in the past.

Returning to the dual system, it is interesting—and I do not say it in any sarcastic sense—but I believe the only other two central banks which now follow this system are those of the United Soviet Social Republics and the Commonwealth of Australia. I do not believe that the other central banks are entirely out of date. I believe they have risen, in many cases, much more to this question of industry which Mr. Keens stressed—very much more than has been the case in our own financial control in this country. I agree with Mr. Samuel about not dogmatising upon economic problems, but you and I are up against these problems every day, and we have more or less to take a definite view. We cannot proceed from the view that we must not walk along the line, but only on either side of it. There are times when we have quite definitely to make up our minds and abide by what we feel, and believe, right or wrong. And upon these questions I do feel that the stress which has been laid on



the international aspects of central banking in the past few years has very much taken the minds of those controlling our policy from the domestic situation, and at times has led to depression, which was the last thing we ought to have. Even in this day our prices are going down much more rapidly than ought to be the case, and there is no confidence on the part of industry. I think the first purpose of the central bank is to get down to the problem and give the country some confidence in its outlook. I think it has power to do so. I do not think it could stimulate orders from abroad all of a sudden, but I do think that, within the country, it can give a greater feeling of—what shall I say?—the prosperity complex. Now I have very much appreciated the paper which Mr. Hobson gave us. I think he gave a very measured view of some of the problems—important ones—which we have to face to-day, and I thank him very much for the opportunity of having heard it.

Mr. HENRY MORGAN, in proposing a vote of thanks to the Lecturer, said: On several occasions lately when I have visited this Society I have been privileged to listen to papers given us by Editors of the Financial Press, or Financial Editors of our great daily newspapers. It is a great compliment to this Students' Society that gentlemen of this class should come here and give us these papers. Not only are they very instructive, but invariably they are able to present their subjects to us in a way that is really interesting. They are of great value not only to the student members of our Society, but also to every practising member. In proposing this vote of thanks it is quite unnecessary for me to enlarge upon the axioms of the paper to which we have listened. Listening to Mr. Hobson one gathers the impression that he has such a grasp of his subject that even the preparation of such a paper as this must really be not a very great task, but I know from my own experience that to prepare a paper, even on a subject with which you are fully conversant, does entail a great deal of work and means considerable sacrifice of time. We are doubly indebted to Mr. Hobson, and I have much pleasure in proposing a vote of thanks to him.

Mr. M. J. FAULKS, M.A., F.S.A.A., formally seconded the vote of thanks, which was carried unanimously.

Mr. HOBSON: I am extremely obliged to you for the vote of thanks and for the kindness with which you have listened to me. I may say that, in coming here to-night, I feel that in some sense I have been discharging an obligation which has been due by me, because it so happens I was privileged some months ago to be a guest of the Parent Society, in this magnificent hall, on a very important occasion, when the Society entertained Sir Josiah Stamp on his return from his labours in connection with the Young Committee at Paris. I can assure you it is a pleasure to me to discharge that duty to the "offspring" Society. I have listened with the greatest possible interest to the discussion, and I do not think that at this stage I can go *seriatim* through the points that have been raised. There is only one thing I really want to say. I think that Mr. Samuel and Mr. Wade have put a little bit too much on me as regards the dual system. I was not attacking the dual system of two departments. I did not intend to express any very pronounced opinion upon it. I was pointing out that it did not appear to be altogether appropriate to the present situation. If the thing works, then let us leave it—that is all I meant to imply, really. As to the connection between banking and industry, I hope you will excuse me if I do not say anything at all about that. We have this Committee which is going to consider that. Whether they will succeed in throwing any light upon it I do not know, but I am certainly not at this stage going to try to.

On the motion of Mr. COLESWORTHY, Sir James Martin was warmly thanked for presiding.

## Newcastle-on-Tyne and District Society of Incorporated Accountants and Auditors.

### ANNUAL DINNER.

THE annual dinner of the Newcastle-on-Tyne and District Society of Incorporated Accountants and Auditors was held at the County Hotel, Newcastle, on November 13th, when, in the absence, through illness, of Mr. Edward Darnell, O.B.E., F.S.A.A., Mr. W. METCALF MCKENZIE, F.S.A.A. (Vice-President), presided.

Among a number of members and distinguished guests were: The Rt. Hon. the Lord Mayor of Newcastle (Councillor Joseph Stephenson), the Sheriff of Newcastle (Councillor J. G. Nixon, F.C.A.), Mr. Walter Holman, F.S.A.A. (member of the Council of the Parent Society), Mr. W. W. Gibson (President of the Newcastle Incorporated Law Society), Alderman J. J. Gillespie, F.C.A. (Past President of the Northern Institute of Chartered Accountants), Mr. T. Beavers (President of the Institute of Bankers, Newcastle), Mr. B. Peatfield (Clerk to the Commissioners of Income Tax), Mr. H. P. Hall (Hon. Secretary of the Insurance Institute of Newcastle), Mr. William Walker, F.S.A.A. (President of the Yorkshire District Society of Incorporated Accountants), Mr. R. S. Duthie, C.A., A.S.A.A. (Hon. Secretary of the Cumberland and Westmorland District Society of Incorporated Accountants), Mr. Stephen Crouch (Hon. Secretary, Incorporated Secretaries' Association, Newcastle Centre), Mr. A. E. Lacey and Mr. J. L. Batty (Inspectors of Taxes), Mr. J. G. Dawson (Chairman of the Incorporated Secretaries' Association, Newcastle Centre), Councillor T. Arthur Lowe, Mr. H. J. Thompson, F.S.A.A. (City Treasurer of Newcastle), Mr. Richard Smith, F.S.A.A., Mr. T. R. G. Rowland, F.S.A.A., (Past Presidents, Newcastle-on-Tyne and District Society of Incorporated Accountants), Mr. W. H. Stalker, A.S.A.A. (Vice-President), and Mr. J. Telfer, A.S.A.A. (Hon. Secretary).

The CHAIRMAN (Mr. W. Metcalf McKenzie, F.S.A.A.), proposing the toast of "The City and County of Newcastle-upon-Tyne," first referred with regret to the unavoidable absence of Mr. Darnell, the President, a man for whom, he said, they all had a sincere esteem and affection. The city of Newcastle, he added, had world-wide fame. It had in modern times been distinctly revolutionary, the chief revolutionists being George Stephenson and Robert Stephenson. Later there came another, that wonderful veteran of industry, Sir Charles Parsons, who had revolutionised sea transport as the Brothers Stephenson revolutionised land transport. The city further deserved to be congratulated on the great success of the North-East Coast Exhibition.

The LORD MAYOR OF NEWCASTLE (Councillor Joseph Stephenson), responding to the toast, said that he had never been more proud of the city than now that its citizens had deemed him worthy to be its Lord Mayor. He remembered having to start work at the age of eleven. Now he noticed that young people were to stay at school until they were fifteen and probably some of them would be married before they started work.

The SHERIFF OF NEWCASTLE, who also replied, said the City Council came in for a good deal of criticism at different times, but the critics somehow did not seem at all disposed to take off their coats and endeavour to do their best to

render future criticism unnecessary. No doubt this was the case with most of the cities and towns throughout the country.

ALDERMAN J. J. GILLESPIE, F.C.A., proposing the toast of "The Society of Incorporated Accountants and Auditors," said that first of all he desired to thank Mr. Telfer, the Hon. Secretary, for sending him literature concerning their Society. He took the opportunity of congratulating them on the possession of the beautiful building which they had acquired on the Thames Embankment. It altogether put into the shade the Institute of Chartered Accountants' Hall in Moorgate Place, but he was not in the least envious that it should be so. The fact that it was opened by H.R.H. the Duke of York was at once a recognition of the status the Society had acquired since its formation 44 years ago. Turning to other topics, Alderman Gillespie added that the Companies Act, which became law on the first of the month, substantially increased the duties and responsibilities of auditors, with a view to the better protection of shareholders, and in regard to the statement of accounts of companies, in accordance with modern requirements. It would be some time before the benefit of this new legislation would be felt, but that the Act was necessary and would be welcomed by intending investors and in business circles generally, no one would doubt. It was gratifying to know that in the matter of the professional audit of Corporation accounts many corporations had obtained powers in their Local Acts whereby the audits were limited to Chartered and Incorporated Accountants. Further, it was interesting to note the increase in the practice to-day of the engaging of accountants to deal with matters relating to income tax assessments. He thought it could be taken that there was a general movement towards the compulsion of all businesses to keep complete records of their transactions and to have accounts prepared and submitted through accountants to the Inspectors to ensure correct yearly assessment of tax liability.

Mr. WALTER HOLMAN, F.S.A.A., replying to the toast, said the linking up of all Incorporated Accountants with a Branch or District Society was proceeding satisfactorily and would prove a source of much strength to the Society in the future. The further provision that candidates for examination before they must be associated with their District Student Section had already been applied. Such movements and others designed for the purpose of maintaining the status of the profession placed a great responsibility on the Society. Professional bodies such as their own existed for the purpose of binding together for mutual protection and assistance all those engaged in the same work and to ensure that they carried out their professional duties according to a definite standard of conduct and practice. He could see no reason whatever why similar rules should not be applied to trade and commerce. He often thought the attempt to limit the word "professional" to certain definite occupations and leave out those engaged in trade and industry was not only derogatory but a rather objectionable form of snobbery. The aim of their Society was to foster high ideals of practice and to maintain not only capacity but also character. Capacity was tested by examination, but character was difficult to test, and the Society did its best to ensure a high standard being maintained.

The CHAIRMAN proposed the toast of "The Guests" in a happy little speech, to which Mr. W. W. GIBSON, President of the Newcastle Incorporated Law Society suitably responded. An excellent musical programme was provided by well known local artists.

## Reviews.

**Accountants' and Auditors' Diary, 1930.** London: T. Whittingham & Co., Ltd., 50, Southwark Bridge Road, S.E.1., and 35, Bucklersbury, E.C.4. (Price 6s. to 12s. 6d. net, according to size and binding.)

This is a diary specially designed for the use of accountants. Its value and usefulness have been proved by experience, with the result that it becomes more popular year by year. In the body of the diary provision is made for setting out the details of work done day by day, and at the end there is a time summary. The summary is specially ruled to enable the time for the whole year, or any shorter period, to be summarised under the client's name, additional columns being provided for working out the total time and extending the charges. In the cloth bound editions the summary is enlarged and divided into alphabetical sections for convenience of reference. The editorial matter is specially selected so as to be of practical use to accountants in the carrying out of their duties from day to day, and comprises the main provisions (arranged under convenient headings) of the Companies Act, 1929, so far as they are likely to be of interest to accountants. It also contains the audit provisions relating to companies incorporated under special Acts of Parliament. Special attention has been given to Income Tax and Sur-tax, full and up-to-date particulars being supplied in a form readily accessible and without unnecessary detail. Full information is likewise supplied with regard to deeds of arrangement, stamp duties, national health and unemployment insurance, &c. The diary is published in a number of different sizes and bindings suitable for the varying requirements of principals and clerks.

**Company Law and Precedents.** (Third Edition.) By Arthur Stiebel, M.A., Barrister-at-Law. London: Sweet & Maxwell, Ltd., 2/3, Chancery Lane, W.C. (In two volumes. 1950 pp. Price £4 4s. net.)

This is the most complete treatise on company law as embodied in the 1929 Act that we have so far seen. The law relating to companies in all its aspects is fully discussed in the body of the work, and the Appendices contain the text of the new Act together with the official rules and forms relating thereto; also the Regulations issued by the Board of Trade, the Inland Revenue circular re Stamp Duties, and extracts from the latest Rules and Regulations of the Stock Exchange. There are likewise provided comparative tables showing (1) where the provisions of the repealed Acts are to be found in the Companies Act, 1929, and (2) how the sections of the 1929 Act are built up from the Acts which have been repealed. In the text of the work the author has stated the law as he considers that it now stands, and the precedents have been altered to meet the changed conditions. These precedents occupy 360 pages and include Memorandum and Articles of Association, Prospectus, Statement in lieu of Prospectus, Notices of Meetings and Resolutions, Compromises and Arrangements, Reductions of Capital, and various forms relating to liquidation matters, such as disclaimer, vesting of property, and release of liquidator. Mr. Stiebel, being Registrar in the Companies (Winding Up) Department of the High Court, is well qualified for the work he has undertaken, in which he has had assistance from the Solicitor to the Board of Trade, the Secretary of the Share and Loan Department of the Stock Exchange, and officers of the Companies' Department of the Board of Trade and the Companies (Winding Up) Department.

**Smith's Summary of Company Law.** (Fourteenth Edition.) By W. Higgins, Barrister-at-Law. London: Sweet & Maxwell, Ltd., 2/3, Chancery Lane, W.C. (376 pp. Price 7s. 6d. net.)

This is a much smaller book on company law and one which has been well known for many years. It summarises the law in convenient form and is very useful for giving a general view of the legal position in relation to any particular matter.



## ACCOUNTANT'S ACTION FOR SLANDER

In the King's Bench Division on November 20th Mr. Justice Avory, sitting with a special jury, had before him an action in which Mr. Philip Mordant Mordant, Chartered Accountant, of Cannon Street, London, E.C., claimed damages from Mr. H. J. Veitch, Chartered Accountant, of Coleman Street, London, E.C., for alleged slander. Defendant denied that he spoke the words complained of, but if he did they were spoken on a privileged occasion, and they did not have the meaning attributed to them by the plaintiff.

Mr. Croom Johnson, K.C., for the plaintiff, said his complaint was that after a certain meeting in the City, Mr. Veitch said of Mr. Mordant, "I shall put the matter into bankruptcy. I do not consider Mr. Mordant a fit and proper person to act." It was not suggested that these words if uttered were true. The result of the statement was that Mr. Mordant's appointment as a trustee was not confirmed, and he lost 600 or 700 guineas which would have come to him from the appointment. The slander was uttered on March 14th last, at the conclusion of a meeting of creditors of a City man who had temporarily come to grief. The meeting was attended by both plaintiff and defendant, as representatives of the creditors. A scheme of arrangement was put forward on behalf of the debtor, and it was desirable that a trustee should be appointed. Certain names were proposed, and eventually Mr. Mordant received four votes and was elected. After the meeting, when Mr. Mordant had gone away, Mr. Veitch said, in the hearing of three or four gentlemen who had remained, "I shall put the matter into bankruptcy. I do not consider Mr. Mordant is a fit and proper person to act."

Mr. Mordant was informed of what Mr. Veitch had said, and at a meeting of the committee of inspection on March 18th Mr. Mordant challenged Mr. Veitch with having made the statement and asked him to withdraw and apologise. Mr. Veitch, however, remained silent. Mr. Mordant was not made trustee and the matter was carried through without a trustee. Mr. Mordant regarded the slander as very serious, but he did not ask for heavy damages, and even at this late hour he would be content if Mr. Veitch would apologise and withdraw the statement.

Mr. Mordant, the plaintiff, said he was senior partner in Philip Mordant, Jarvis & Co., Chartered Accountants, in the City. He was admitted in 1897, and began practising on his own account in 1901, and had practised continuously in the City and elsewhere. He was well known in the City, and his firm had a large connection among the woollen, textile and fur trades. When he challenged Mr. Veitch with having uttered the slander Mr. Veitch said not a word. Witness's appointment as trustee was not confirmed and he was informed by Mr. Arthur that he did not want the matter to go into bankruptcy, and he could not further support witness's appointment as trustee. Witness knew that there was a petition on the file from some clients of Mr. Veitch, who was therefore in a position to put the matter into bankruptcy.

Mr. Benjamin George Arthur, member of the Institute of Chartered Secretaries, said he was secretary of the Textile Trades Association for the Prevention of Fraudulent Trading. He was responsible for calling the meeting at which the alleged slander was uttered. Mr. Veitch said to witness, "You brought Mr. Mordant to the meeting." Witness replied that he did not know Mr. Mordant and had never seen him before that day. Mr. Veitch then said, "I intend to put this matter into bankruptcy, as I do not consider Mr. Mordant a fit and proper person." This was said in the hearing of two or

three other people while they were all standing together outside the meeting room.

Mr. Arthur, continuing his evidence, said he attended the meeting of the committee of inspection on March 18th, and heard Mr. Mordant say to Mr. Veitch, "I understand you are going to put this matter into bankruptcy as you consider I am not a fit and proper person to act." Witness remarked, "That is quite right." Mr. Veitch made no reply.

Mr. Birkett, K.C., for the defence, in cross-examination, suggested that what Mr. Veitch actually said was, "My clients will certainly not support the appointment of Mr. Mordant as trustee. You know, Mr. Arthur, after our agreement to withdraw our names for the appointment of an independent trustee, you have no right to introduce Mr. Mordant into this matter."

Witness: I say there is no truth in it whatever.

Mr. Birkett: I put it to you that Mr. Veitch never at any time spoke any words like "Mr. Mordant is not a fit and proper person."

Mr. Arthur replied that he was quite certain Mr. Veitch did. He would not be so certain were it not for the fact that Mr. Veitch had an early opportunity of disclaiming the words and he did not do so.

Mr. Charles Mannifield, investigation officer employed by the Textile Trades Association for the Prevention of Fraudulent Trading, said he was within hearing of Mr. Veitch and Mr. Arthur after the meeting on March 14th, and he distinctly heard Mr. Veitch utter the words complained of.

At the conclusion of plaintiff's case,

Mr. Birkett submitted that the alleged words were spoken on a privileged occasion.

Mr. Justice Avory ruled that the words, if spoken, were spoken on a privileged occasion.

Mr. Birkett then submitted that there was no evidence of malice.

Mr. Justice Avory said, if the jury found that the words were spoken, he should hold that there was evidence on which the jury could find malice.

Mr. Horace Johnston Veitch, the defendant, gave evidence that he was a Chartered Accountant, a partner in the firm of Veitch & Co., and that he had practised in the City of London and Manchester for twenty years.

Counsel: It is alleged that after the meeting of March 14th you said Mr. Mordant was not a fit and proper person for the trusteeship. Did you make any such statement?

Witness: I emphatically did not.

A conversation about Mr. Mordant did take place, said Mr. Veitch, but it was inside and not outside the meeting room.

Was anything said by you in criticism of Mr. Mordant?—No.

Was anything said about Mr. Mordant?—Yes. I said to Mr. Arthur that my clients would certainly not accept the appointment of Mr. Mordant.

At the meeting on March 18th, said witness. Mr. Mordant complained that he (witness) had said Mr. Mordant was not a fit and proper person to act as trustee. He asked witness to repeat the statement or apologise. Witness replied that the question Mr. Mordant raised was irrelevant to the business of the meeting and it was not the proper place to discuss the matter.

In cross-examination, witness said it was contrary to his instructions to put the matter into bankruptcy, and he never said anything about putting the matter into bankruptcy.

Mr. Veitch admitted that he had made up his mind to do his best to prevent Mr. Mordant getting the trusteeship.

Mr. Montagu Douglass McDuff, partner in the firm of Messrs. Biddle & Co., solicitors, said he was present at the meeting on March 14th, and was quite near Mr. Veitch at the conclusion of the meeting. He did not hear at any time Mr. Veitch utter the statement attributed to him. He was present afterwards on the landing outside the meeting room and heard no reference made by Mr. Veitch to Mr. Mordant.

Dr. Francis Stafford Clark, partner in the firm of Messrs. Peter Thomas & Clark, solicitors, said that at the meeting on March 18th, after Mr. Mordant had made the statement which had been mentioned, Mr. Veitch did not remain silent, as had been said. Mr. Veitch said it was not the time or the place to discuss the matter.

Mr. William Charles Welland, secretary of F. H. Searle and Co., Limited, and Mr. Leonard James Orr, a manufacturers' agent, both of whom were present near Mr. Veitch and Mr. Arthur at the conclusion of the meeting on March 14th, declared that they never heard Mr. Veitch say anything derogatory of Mr. Mordant. Mr. Welland said he heard Mr. Veitch say, "My clients will not accept Mr. Mordant as trustee."

The jury awarded plaintiff £25 damages, and judgment was directed to be entered accordingly.

## District Societies of Incorporated Accountants.

### CUMBERLAND AND WESTMORLAND. Annual Report.

#### LECTURES.

All the lectures held during the year were well attended, and the high standard which has been set was again well maintained. The thanks of the District Society are due to those gentlemen who so kindly contributed to the syllabus.

#### EXAMINATIONS.

The following gentlemen were successful at the November, 1928, and May, 1929, examinations of the Society. Our congratulations are extended to them.

*Final:* Mr. S. L. Brain, Mr. R. A. Murray. *Intermediate:* Mr. R. L. Batey, Mr. W. Forsyth, Mr. L. E. Iredale, Mr. E. S. Little, Mr. J. S. Sutherland.

#### BYE-LAW No. 24.

The attention of Candidates is called to the following Bye-Law of the Council. Members are requested to bring it before the notice of any of their staff who are preparing for the examinations.

"Subject as hereinafter in this Bye-Law mentioned, a Candidate in England, Wales, Scotland or Ireland, within three months after passing the Preliminary examination or after obtaining exemption from the Preliminary examination, under the provisions of Bye-Law 5, shall become a member of the Students' Section of a Branch or District Society of the Society, or a member of an Incorporated Accountants' Students' Society. The Examination and Membership Committee of the Council may in exceptional circumstances exempt a Candidate from the operation of this Bye-Law. A Candidate submitting an application to sit for the Intermediate examination shall forward with such application a certificate by the Secretary of such Branch, District, or Students' Society of compliance with this Bye-Law."

#### OPENING OF INCORPORATED ACCOUNTANTS' HALL.

Your Society was represented by the Secretary at the formal opening of Incorporated Accountants' Hall on February 19th, 1929, by H.R.H. the Duke of York.

#### (STUDENTS' SECTION.)

### Syllabus of Lectures, 1929-30.

1929.

- Oct. 25th. "Contract Law in Daily Life," by Mr. W. Summerfield, M.A., B.C.L., LL.B., London.
  - Nov. 20th. "Public Finance of the United Kingdom," by Mr. J. A. Berger, D.Sc., F.C.A., Principal of the Gresham School of Economics, London.
  - Dec. 20th. "The New Companies Act," by Mr. O. K. Metcalfe, M.A., LL.M., Barrister-at-Law.
- 1930.
- Jan. 24th. "Income Tax," by Mr. C. T. Stephens, A.S.A.A., Newport.
  - Feb. 28th. "Sale of Goods," by Mr. C. A. Sales, LL.B., F.S.A.A., London.
  - March. To be arranged.

#### LIVERPOOL.

### Syllabus of Lectures, 1929-30.

1929.

- Oct. 2nd. "Procedure in an Action at Law," by Mr. F. Raleigh Batt, LL.M., Professor of Commercial Law, University of Liverpool.
- Oct. 23rd. "The Assessment of Industrial Property," by Mr. Myles Dixon, Fellow of the Surveyors' Institution.
- Nov. 6th. "The New Company Law," by Mr. Harold Brown, M.A., LL.B., Barrister-at-Law.
- Nov. 18th. Visit to Messrs. W. & R. Jacob & Co.'s Aintree Factory.
- Nov. 27th. Ten Minute Papers by Members.
- Dec. 11th. "Carriage of Goods by Sea," by Mr. V. D. Heyne (of Messrs. Hill, Dickson & Co.).

1930.

- Jan. 15th. "The Formation of a Public Limited Company," by Mr. G. Cameron Ollason, C.C., F.C.A.
- Jan. 30th. Joint Debate with the Liverpool Chartered Accountants Students' Association.
- Feb. 19th. "Present Day Industrial Development," by Sir Charles J. O. Sanders, K.B.E.
- March 5th. "Practical Insolvency Administration," by Mr. John Airey, F.S.A.A.
- March 20th. "Income Tax Claims," by Mr. Lawrence Bailey, A.S.A.A.
- April 2nd. Mock Income Tax Appeal, arranged by Mr. Charles Tunnington, F.S.A.A.

Meetings will be held at 6.15 p.m. at the Reform Club, Dale Street, Liverpool.

#### SOUTH OF ENGLAND.

### Syllabus of Lectures, 1929-30.

1929.

- Nov. 8th. "Apportionment in Executorship Accounts," by Mr. Wilfred H. Grainger, F.S.A.A., London.
- Dec. 13th. "The Companies Act, 1929," by Mr. H. Farrar, M.A. (Oxon.), LL.B. (Lond.), Barrister-at-Law.

1930.

- Jan. 10th. "Criticism of Prospectuses," by Mr. A. Lester Boddington, London.
- Feb. 7th. "Rationalisation," by Mr. P. Ford, B.Sc. (Econ.), University College, Southampton.
- March 7th. Mock Income Tax Appeal.

Meetings will be held at 7.15 p.m. at 6, Portland Street, Southampton.



### **SOUTH WALES AND MONMOUTHSHIRE.** (CARDIFF AND DISTRICT STUDENTS' SECTION.)

The President of the District Society (Mr. Percy H. Walker, F.S.A.A.) was the Lecturer at the second meeting of the Students' Section held on November 14th. Mr. Ivor Davies, A.S.A.A., occupied the chair. The Lecturer took as his subject "Income Tax," and dealt with assessments under each schedule of the Act. At the close of the lecture a lengthy and animated discussion took place.

### **YORKSHIRE.**

The third lecture of the session was held at Leeds on October 29th. Mr. W. H. Grainger, F.S.A.A., gave an interesting address on "Partnership Accounts." The chair was taken by Mr. E. B. Shaw, F.S.A.A., Huddersfield.

## **CHARTERED INSTITUTE OF SECRETARIES.**

A dinner was given at the Guildhall, London, by the Chartered Institute of Secretaries on November 13th, when the chairman was Mr. W. G. VERNON SMITH, C.B.E., Bristol, President of the Institute.

The guests were received by the President in the Art Gallery of the Guildhall. Music was provided by the band of the Royal Regiment of Artillery. The toast of "The Chartered Institute of Secretaries" was proposed by the Right Hon. Lord Hewart, Lord Chief Justice of England, who referred to the increasing responsibility placed upon the members of the Institute in their capacities as secretaries of joint stock companies and public bodies. An acknowledgment of the toast was given by the President of the Institute, in the course of which he indicated the substantial progress made by the Institute in its membership and its educational work. "Trade and Industry" was the subject of a speech by Brig.-General Arthur Maxwell, Past President of the Institute, who gave some interesting facts as to the present position of British trade and industry. Sir Geoffrey Clarke, Acting Chairman of the Council, London Chamber of Commerce, responded to the toast and indicated the directions in which he believed the organisation of British Trade and Industry could be improved. The toast of "Kindred Professions and Societies" was proposed by Colonel W. Parker, D.S.O., Vice-President of the Institute, and he welcomed, on behalf of the Chartered Institute of Secretaries, the Presidents and Secretaries of other kindred professions and societies who were present.

They were glad to have with them Sir William Plender, President of the Institute of Chartered Accountants, and in coupling with the toast the names of Mr. Holland Martin, the President of the Institute of Bankers, and Mr. Thomas Keens, the President of the Society of Incorporated Accountants and Auditors, he would like to say that the Bank with which Mr. Holland Martin was associated had taken care of the accounts of three generations of his family, and Mr. Holland-Martin was the third generation of his family who had done so. With regard to the Incorporated Accountants, his father was at one time a member of that body, and he had many friends connected with it, including Sir James Martin, who helped to found that Society, and the members of which they were hoping shortly to meet in their new hall at one of those joint debates that formed a very valuable feature of the work and, he might say, of the amenities of their Institute.

Mr. R. M. Holland-Martin, C.B., President of the Institute of Bankers, and Mr. Thomas Keens, President of the Society of Incorporated Accountants and Auditors. Mr. Holland-Martin, in his response, referred to the common desire of all professional and similar bodies to develop the facilities for the education of young men in the work of their respective professions. He believed this work was vital in days when young men had a better chance than ever. Mr. Thomas Keens, who also replied, said he felt some difficulty in responding for such a number of distinguished professional bodies, and he appreciated the opportunity to thank their hosts for the hospitality extended to them, and to congratulate the Institute on its work. Representatives of the accountancy profession had recently visited Canada and the United States, and were present at the International Congress on Accounting in New York, when they had the pleasure of exchanging views with members of the accountancy profession all over the world, and of bringing the accountancy profession in America into direct touch with their own work in Great Britain. On their part they had had the opportunity of hearing and seeing many new things and of reviewing their own ideas from a different angle. Speaking before the Chartered Institute of Secretaries, he was pleased to tell them of the very high regard and importance which was attached in the United States to the work of the chief officials of corporations (corresponding to public companies in this country). In concluding his speech, Mr. Keens thanked Colonel Parker for his kind personal references. The toast of "The Guests" was proposed by Mr. S. W. Gladwell, a Past President of the Institute, was was acknowledged in a humorous speech by Mr. Bernard Campion, K.C., Stipendiary Magistrate.

The proceedings closed with the toast of "The Chairman," which was proposed by Sir Leonard Coates.

## **INCOME TAX ALLOWANCES AND RELIEFS.**

### **CHAMBERS OF COMMERCE DEPUTATION TO BOARD OF INLAND REVENUE.**

A deputation from the Association of British Chambers of Commerce waited upon Sir Ernest Gowers, K.C.B., Chairman of the Board of Inland Revenue, at Somerset House on November 19th, in relation to the recommendations of the Royal Commission on Income Tax, 1920, with respect to allowances and reliefs.

The following represented the Association:—Mr. H. Lakin-Smith, Chairman of the Association's Special Committee; Mr. H. D. Leather (Leeds), Mr. R. V. Rodwell (Leicester), Mr. R. E. Smalley (Preston), Mr. G. P. Norton (Huddersfield), Mr. A. Duncan Barber (Sheffield), Mr. F. C. Higgins (Luton), and Mr. R. B. Dunwoody, C.B.E., Secretary.

Mr. Lakin-Smith submitted the views of the Association as contained in the Report of the Special Committee adopted by the Executive Council on September 4th, a copy of which report was circulated to all Chambers, and was published by us in our October issue.

It was urged that inherently wasting material assets should receive reasonable allowances. The deputation also urged reasonable treatment in the matters of depreciation and obsolescence of plant, machinery and buildings and in connection with all expenditure incurred with the principal object of promoting the successful carrying on of a profit-seeking undertaking and of meeting its fair and reasonable obligations.

The deputation pointed out that British manufacturers were being urged to reorganise and re-equip their factories, but that it was difficult to do so under existing conditions in regard to allowances and reliefs.

It was also pointed out that more reasonable allowances are granted not only in British Dominions, but in Germany and the United States, and that in consequence British Industries were seriously handicapped in competition with the world's markets.

Sir Ernest Gowers promised to lay the deputation's views before the Chancellor of the Exchequer.

## Society of Incorporated Accountants and Auditors.

### MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

#### ASSOCIATES TO FELLOWS.

ARNOLD, FREDERICK VERNON (Carpenter, Arnold and Turner), Midland Bank Chambers, North Street, Brighton, Practising Accountant.

BARWICK, ALAN (Clarkson & Barwick), 10, Station Street, Keswick, Cumberland, Practising Accountant.

CLOTHIER, EDWARD, Royal Exchange Buildings, Durban, Practising Accountant.

PURTILL, PATRICK JOSEPH, LL.B., A.C.A. (Purtill & Co.), 33-34, Anglesea Street, College Green, Dublin, Practising Accountant.

RIDLEY, GEORGE, F.C.A. (Ridley & Ridley), 34, Grey Street, Newcastle-upon-Tyne, Practising Accountant.

ROSS, LEONARD, A.C.A. (Gwynne & Ross), Walker Street Chambers, Wellington, Shropshire, Practising Accountant.

RYDEN, HARRY (Harry Ryden & Co.), 2, Richmond Terrace, Blackburn, Practising Accountant.

WHITE, ARTHUR WILLIAM, A.C.A. (Cash, Stone & Co.), 48, Cophall Avenue, London, E.C.2, Practising Accountant.

#### ASSOCIATES.

ALLEN, GEORGE THOMAS HANBURY, A.C.A. (Allen, Wilson, Bigg & Co.), Pomeroy House, 28A, Basinghall Street, London, E.C.2, Practising Accountant.

BAILEY, EMMA WALMSLEY, Clerk to Starkie & Naylor, 6, South Parade, Leeds.

BAKER, DONALD WILLIAM, Clerk to C. Percy Barrowcliff and Co., 55-57, Albert Road, Middlesbrough.

BASSETT, CEDRIC HENRY BARKER, Clerk to Walter Oldfield, Winchester House, 1, Welford Road, Leicester.

BIGG, WALTER WILLIAM, A.C.A. (Allen, Wilson, Bigg and Co.), Pomeroy House, 28A, Basinghall Street, London, E.C.2, Practising Accountant.

BOYES, ROBERT TYRRELL, Clerk to Henry Portlock and Co., 186, Bishopsgate, London, E.C.2.

CHAMBERS, KENNETH ERNEST, Clerk to Stephenson, Smart & Co., Queen Street Chambers, Peterborough.

CLIFFE, ARNOLD, Clerk to A. Pontefract & Son, 6, New Street, Huddersfield.

DEIGHTON, FRANK, Clerk to Peat, Marwick, Mitchell and Co., Central Bank Chambers, Infirmary Street, Leeds.

DOWLING, JOSEPH GERARD, Clerk to R. J. Kidney, Star Buildings, 12-14, College Green, Dublin.

FLEMING, ROBERT FRANCIS, Clerk to Woolley & Waldron, 6, Portland Street, Southampton.

GIBBS, DUDLEY EDWYN, Clerk to R. H. Munro & Co., 37, Queen Victoria Street, London, E.C.4.

JONES, SIMON, Clerk to John Davies, Barclays Bank Buildings, 1, Bank Street, Wrexham.

PAYNE, VICTOR BLACKLOCK, Clerk to Howell & Sons, 2, Broad Street Place, London, E.C.2.

SCOTT, PERCIVAL GUY, Clerk to Peat, Marwick, Mitchell and Co., Royal Exchange, Middlesbrough.

SHEPPARD, ROBERT FREDERICK, A.C.A. (A. E. Webster and Co.), 22, Martin Lane, Cannon Street, London, E.C.4., Practising Accountant.

SMITH, FRANK, Deputy Borough Treasurer, Municipal Offices, Rotherham.

TAYLOR, NORMAN JAMES, Clerk to Halsey & George, Rennies Buildings, 394, Smith Street, Durban.

TUNE, RICHARD NORMAN, Clerk to Stanley Scotter, Lloyds Bank Chambers, Market Place, Hull.

UPADASTRA, VENKATA KRISHNAYYA, B.A., LL.B. (V. K. Upadasthra & Co.), 5, Thambu Chetty Street, George Town, Madras, Practising Accountant.

WINSOR, GREGORY, H.M. Inspector of Taxes, Aberdare District, Aberdare.

WALKER, BERNARD HOLMES, Clerk to E. T. Brown & Co., Gresham Chambers, Lichfield Street, Wolverhampton.

## Scottish Notes.

### (FROM OUR CORRESPONDENT.)

#### Glasgow Students' Society.

The annual meeting of this Society was held in the Society's office on the 7th ult. There was a large attendance of members. Mr. J. Tannett MacKenzie, F.S.A.A., President of the Students' Society, occupied the chair, and was supported by Mr. A. R. Weir, F.S.A.A., Vice-President; Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch; Mr. Robert Fraser, F.S.A.A., Hon. Secretary of the Students' Society, and others. The following were elected office-bearers for the ensuing year: Mr. David Hill Jack, J.P., Hon. President; Mr. Robert T. Dunlop and Mr. John S. Gavin, Hon. Vice-Presidents; Mr. J. Tannett MacKenzie, President; Mr. A. R. Weir, Vice-President, and a representative committee was appointed, with Mr. Robt. Fraser, Hon. Secretary, and Mr. C. M. Vance, A.S.A.A., Assistant Hon. Secretary. In order to promote social intercourse amongst the younger members a room has been taken in a central situation where members can meet one night a week. A lecture will be given on Tuesday, December 3rd, on some of the questions set at the recent examinations.

#### Accountants' Civic Honours.

It must be a unique experience in public life to have the Lord Provosts of both Edinburgh and Glasgow belonging to the accountancy profession, one city representing the national and the other the industrial activities of Scotland. Edinburgh has elected Mr. Thomas B. Whitson, and Glasgow Mr. Thomas Kelly, both Chartered Accountants.

Edinburgh's Lord Provost as treasurer of the Royal Scottish Geographical Society took an active interest in the Scottish Antarctic Expedition of 1912 and the Spitzbergen Expedition. He enjoys the honour of having had named after him Whitson Bay, in Spitzbergen, Whitson Cape, on Laurie Island in the Antarctic, and a new species of Antarctic fish now known to scientists as Chalinure Whitsoni. He was also one of the founders of the Scottish Zoological Park.

Lord Provost Kelly, Glasgow, is perhaps not so spectacular in his achievements, but he is recognised as having been keenly interested in all forms of social service, as befitted a citizen of the largest industrial area in Scotland. In earlier times the Scot was mainly interested in problems and controversies connected with civil and religious affairs. Now the problems and controversies are economic, and it is perhaps wise judgment which brought



about the election as Lord Provost in the two principal cities of Scotland of men with specialised accountancy training and experience.

At least two Incorporated Accountants took part in the recent municipal elections. Mr. Wm. J. Wood, F.S.A.A., Perth, a member of the Scottish Council, was returned unopposed for one of the Wards of that city. Mr. Festus Moffat, F.S.A.A., one of our younger members, fought a stiff fight at Falkirk, and succeeded, by a small margin, in ousting a Labour candidate.

#### Glasgow Accountants' Dinner.

The Institute of Accountants and Actuaries in Glasgow held a dinner on October 30th. Mr. Peter Rentoul, C.A., President of the Institute, presided over a large company which included Lord Blackburn, Colonel John Buchan, LL.D., M.P., and the Right Rev. John White, D.D., Moderator of the General Assembly of the Church of Scotland.

In proposing the toast of the Chartered Accountants' profession, Col. Buchan said the accountant was the link between the world of theory and the world of finance both in private business and public affairs. The basis of all policies was finance. Every policy, however beneficent its intentions and however strong its interest, required to be most jealously scrutinised on the financial side. Don't imagine that work could be done by politicians. With the best will in the world Parliament was not the right place for that kind of scrutiny. Happily there were other means. They heard people talk about the reform of the Second Chamber. He should like to see their whole constitutional theory revised. They had not one Second Chamber in this land; they had many, and the accountants were one, if not in law, in fact.

The business community of this country, especially their profession, formed a kind of advisory council to the nation. What they thought of a policy, whether they approved or condemned, was vital to the success of that policy, because a large part of the nation would take their advice. He did not think there was any greater security for the future stability of our country than the fact that any Government, no matter what complexion, to succeed in policy must carry them with it.

The Chairman said that in replying to the toast of the Chartered Accountants' Profession he included the Incorporated Accountants.

The President of the Society (Mr. Keens) and the Secretary (Mr. Garrett), Mr. Hill Jack, President, and Mr. James Paterson, Secretary of the Scottish Branch, were invited as guests, but unfortunately Mr. Keens, Mr. Garrett and Mr. Hill Jack were unable to attend, the Society being represented by the Secretary of the Scottish Branch.

#### Edinburgh Civil Service Club.

The first annual meeting of this club was held recently. In submitting the first annual report the Chairman, Mr. J. Stewart Seggie, C.A., F.S.A.A., who presided, remarked that the enthusiasm displayed and the support accorded to the club was a great contrast to the apathy with which the proposal was received when first mooted some years ago. The club was now an established and popular feature in Civil Service life in Edinburgh. The membership was now over 600, and the financial position very satisfactory. Sir John Gilmour, Bart., D.S.O., was re-elected Honorary President. Mr. Seggie was re-elected Chairman, and amongst other appointments, Mr. A. A. Bakewell, A.S.A.A., was elected Honorary Treasurer.

#### Sir Josiah Stamp in Scotland.

Last month Sir Josiah Stamp fulfilled a number of engagements in Scotland.

On the 5th ult. he delivered an address to the members of the Edinburgh Philosophical Society, on "Money and

the Future of Civilisation." Lord Sands presided. In the course of his address Sir Josiah compared the demands made by industrial and international financial conditions upon the monetary system before the war and now. The problem had been intensified by internal national conditions but the solution had been to a much greater extent only possible on an international plane. He repeated his statement that during the next two decades it would prove to be fundamental to all problems of employment and industrial unrest, and even to industrial government and international relations. Five years ago in a speech criticised as "unpractical" and "academic," and raising undue alarms, he had said that with the necessity for a reasonably stable measurement for international payments for reparations and debts, for the weight of internal indebtedness, and for internal industrial questions, "it was no exaggeration to say that the happiness and even the very destinies of the next two generations were dependent upon the solution of the problem." Since then it had become generally recognised that instead of being alarmist and academic, this problem was the most real and practical of all. The new committee to deal with questions of credit would be a frontal attack upon some of the outworks, but they were necessarily rather national and still liable to be unduly at the mercy of action or inaction abroad. The proposed International Bank would, however, go to the root of the evil by collective action.

Sir Josiah also attended a meeting in Glasgow when it was decided to form a Scottish division of the National Institution of Industrial Psychology, and in the course of a short address said that he had faith in exploring new contracts and he considered the Institute had already justified itself, and that it had done extraordinarily useful work in keying up efficiency in individual places.

As a variety, Sir Josiah was also present at a reunion in Glasgow of the natives of Tiree where he delivered an address on the proposed extensions of the steamer services to the West Highlands and outlying islands. Here Sir Josiah literally "faced the music"—bagpipes, Gaelic songs, &c.—where economics, apart from cheap fares and freight, played a small part.

#### INCORPORATED ACCOUNTANTS' DANCE

The Incorporated Accountants' second dance was held in Incorporated Accountants' Hall on Wednesday, November 20th, from 9 p.m. to 2 a.m., and was attended by a large number of members and their friends.

On arrival the guests were received by the President and Mrs. Thomas Keens, J.P., and a bouquet of pink carnations was presented to Mrs. Keens by Mrs. Henry Morgan on behalf of those present.

Jack Palmer and his Band played, and a demonstration of modern ball-room dancing, including the new Six-Eight, was given by Mr. Arthur Milner and Miss Norma Cave, who were Finalists in the "Star" Dancing Championship of 1929. The catering was carried out by Gunters.

This dance was held in response to the request of those who attended the Inaugural Dance which followed the Opening of the Hall by H.R.H. the Duke of York. It was a very successful evening, the Hall looking particularly fine and being well suited for a function of this kind. It is hoped that Mr. J. R. W. Alexander will arrange a third dance next year.

\* \* Legal Notes held over on account of pressure on space.

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The Joseph Schaffner  
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# Changes in Company Law

by the Companies Act, 1929

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## A Précis of the New Provisions

for the use of Accountants

with

**Pro Forma Balance Sheet**

and

**Counsel's Opinion**

*Prepared at the Request of*

**The Society of Incorporated Accountants  
and Auditors**

*by*

**WM. STRACHAN**

**Incorporated Accountant**

### INCLUDING:

**Accounts, Audit and Meetings**

**Prospectuses**

**Annual Returns**

**Liquidations**

**Receiverships**

**Miscellaneous Provisions**



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# THE COMPANIES ACT, 1929.

## EXPLANATORY.

This Act, which came into force on the 1st of November, 1929, brought into operation many alterations in company law. It is, in fact, a consolidating Act, but has the effect of an amending Act, as the Companies Act, 1928, which embodied most of the amendments, never came into force, with the exception of sect. 92 relating to share-hawking and sect. 53 (together with part of the third schedule) relating to the procedure in company reorganisations.

The object of this pamphlet is to draw attention to the alterations in the law in so far as they are likely to affect Professional Accountants in their everyday practice as Auditors, Liquidators, or Receivers, or in relation to Company prospectuses on which their names may appear. It is assumed that readers will have before them the full text of the new Act, as the sections to which reference will be made are too numerous and lengthy to be reproduced here. The Act may be obtained at a cost of 5s. from H.M. Stationery Office, Adastral House, Kingsway, W.C.2, or from any bookseller.

The Society of Incorporated Accountants and Auditors has obtained the Opinion of two eminent Counsel (a leader and a junior) on a number of points in the Act as to which the interpretation is doubtful. This Opinion is annexed hereto as Appendix No. 2, and is the Opinion referred to in the text of the pamphlet unless otherwise stated.

Appendix No. 1 is a pro forma Balance Sheet showing the items which are required by the Act to be separately stated. There are also shown in this Appendix under the heading of Profit and Loss Account one or two items which are required by the Act to be separately stated in that account. The marginal references on the pro forma Balance Sheet and Profit and Loss Account denote the sections of the new Act and the Paragraph numbers in the text of this pamphlet where fuller information may be found. In view of these references an index has not been deemed necessary.

## BOOKS, ACCOUNTS, AND GENERAL MEETINGS.

### 1. Books. (Sect. 122.)

Hitherto there has been no specific provision as to what books of account a Company must keep. Now, it is provided by sect. 122 that every Company shall cause to be kept proper books of account with respect to

- (a) All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place,
- (b) All sales and purchases of goods by the Company,
- (c) The assets and liabilities of the Company,

and every Director who fails to take all reasonable steps to secure compliance with the requirements of the section is to be liable to imprisonment or a penalty not exceeding £200.

See also Paragraph 34 (c) hereof.

### 2. Accounts, &c., to be Submitted to Every Company in General Meeting. (Sects. 123 (1) and (2) and 129.)



A Profit and Loss Account (or, in the case of a Company not trading for profit, an Income and Expenditure Account) and Balance Sheet, together with the documents to be annexed or attached thereto (see Paragraphs 5 and 6 hereof) and the Auditors' Report, must be placed before the Company in general meeting not later than eighteen months from the date of incorporation, and subsequently once in every calendar year, unless extended time is granted by the Board of Trade.

The Opinion of Counsel is that a Company is not bound to lay before any meeting held during any part of 1929 accounts complying with sect. 128 of the Act, but they think that, as regards any meeting held after November 1st of that year, the Balance Sheet must comply with the provisions of sects. 124, 125, 126 and 129 of the Act. Seeing that these sections cover the greater part of the new material which has to be embodied in the Balance Sheet and Profit and Loss Account, the practical effect is substantially that the new provisions must be regarded as applying to the accounts submitted at every meeting held after November 1st, 1929. This, it may be added, is in accordance with Counsel's Opinion obtained by the Institute of Chartered Accountants, which advises that accounts submitted after November 1st must comply with the whole of the new provisions.

### **3. Period of Accounts. (Sect. 123 (1) and (2).)**

The accounts must be made up to a date not more than nine months before the date of the meeting, or, in the case of Companies with business or interests abroad, not more than twelve months before the date of the meeting. The first account must cover the period from the incorporation of the Company, and subsequent accounts the period from the date of the preceding account.

### **4. Contents of Balance Sheet and Profit and Loss Account. (Sect. 124 and other Sections noted below.)**

Every Balance Sheet of a Company must contain :—

- (1) A summary of the authorised and issued share capital specifying what part (if any) of the issued capital consists of Redeemable Preference Shares and the date on, or before, which they are liable to be redeemed. (Sect. 46 (1) and (2).)
- (2) Particulars of Share Capital on which, and the rate at which, interest during construction, &c., has been paid out of capital during the period of the accounts. The rate of interest is not to exceed the rate prescribed by Order in Council for the time being. (Sect. 54 (g) and (e).)
- (3) Particulars of redeemed Debentures which can be re-issued (sect. 75 (3).)
- (4) If any liability is secured, otherwise than by operation of law, on any assets of the Company, a statement that that liability is so secured, but it is not necessary to specify the assets on which it is secured. (Sect. 124 (3).)

A Security "otherwise than by operation of law" means, in effect, a security arising by agreement of the parties as distinct from the general law.

- (5) Where Redeemable Preference Shares are redeemed otherwise than out of the proceeds of a fresh issue—a Capital Redemption Reserve Fund equal to the amount applied in redeeming the shares, which must be fully-paid shares. (Sect. 46 (1) (b) and (c).)

No such shares can be redeemed except out of profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose. (Sect. 46 (1) (a).)

- (6) Such particulars as are necessary to disclose the general nature of the liabilities and assets, and to distinguish between the amounts of the fixed assets and floating assets and how the values of the fixed assets have been arrived at.

In order to give effect to this provision it will generally be necessary to state under separate headings such items as land and buildings, plant and machinery, fixtures and fittings, office furniture, &c., so as to show their general nature and also the different bases on which they are usually valued. In the same way, Trade Creditors and Debtors should be separated from other creditors and debtors. The items shown under "fixed assets" and "floating assets" in the pro forma Balance Sheet in the Appendix are suggestions only, as each case must be treated on its merits. The Opinion of Counsel is that it is not necessary to label the assets in groups as "fixed" and "floating," but unless so grouped they should be described in such terms as would enable a judgment to be formed whether they are fixed or floating. Where there is a doubt as to which group an asset belongs, the method of valuation should be stated. The groupings on the pro forma Balance Sheet are merely to indicate the probable classification.

- (7) The amounts of the following stated under separate headings, so far as they are not written off:—

- (a) The preliminary expenses of the Company.
- (b) Expenses of issue of Capital or Debentures.
- (c) Commission paid on Shares or Debentures and discount allowed on Debentures. (Sect. 44.)
- (d) Discount allowed on shares issued at a discount, with the leave of the Court. There are various conditions attached to any such issue. (Sect. 47 (3).)
- (e) Amount of Goodwill and any Patents and Trade Marks if ascertainable from the books or from purchase or sale contracts or other documents in the possession of the Company relating to stamp duty or conveyance.

- (8) Amount of shares in a subsidiary Company or Companies (in aggregate).

Counsel advise that the term "Subsidiary Companies" includes subsidiaries abroad. (Sect. 125.)

- (9) Amounts owing by a subsidiary Company or Companies (in aggregate).



Counsel recommend that Debentures should be shown separately from other amounts owing, and that nominal amount, book value, and method of valuation should be stated. (Sect. 125.)

- (10) Liability for indebtedness to a subsidiary Company or Companies for loans or otherwise (in aggregate). (Sect. 125.) If this should include a liability on Debentures, Counsel advise that such liability must be noted here as a memorandum, although it is separately included in the general liability on Debentures.

Counsel advise that neither the incorporation of the assets and liabilities of the subsidiaries in the Balance Sheet of the holding Company nor the issue of the separate Balance Sheets of the subsidiaries would satisfy the requirements of the Act.

**Meaning of "Subsidiary Company"** (Sect. 127).—A Company is to be deemed to be a subsidiary Company—

- (a) Where the Parent Company holds either directly or by nominee, at the date when the accounts of the holding Company are made up, more than 50 per cent. of the issued capital of another company or more than 50 per cent. of the voting power ;  
or  
(b) Where the Parent Company has power (not only by the provisions of a Debenture Trust Deed or by virtue of shares issued to it in pursuance of those provisions) directly or indirectly to appoint the majority of the Directors of the other Company.

Shares held as security by a Company, the ordinary business of which includes the lending of money, are not to be taken into consideration for determining whether a Company is a subsidiary. (Sect. 127.)

The Opinion of Counsel is that the term "Subsidiary Company" does not include the subsidiary of a subsidiary.

- (11) Amount of loans by the Company for the purchase of fully paid shares in accordance with any scheme for the time being in force for the purchase by trustees of fully paid shares in the Company for the benefit of employees, including salaried Directors (aggregate amount outstanding). (Sect. 45 (2).)

Except as provided above, the Company is prohibited from giving directly or indirectly (whether by loan, guarantee, security, or otherwise) any financial assistance in connection with the purchase by any person of any shares in the Company, unless the lending of money is part of the ordinary business of the Company (Sect. 45 (1).)

- (12) Reserve Fund, General Reserve or Reserve Account. (Sect. 123 (2).) (See Paragraph 6 hereof.)

**In addition to the above—**

- (13) The Accounts (i.e., the Balance Sheet or Profit and Loss Account, vide Sect. 123) must contain particulars (as per sect. 128) showing :—

- (a) The amount of any loans which have been made during the period of the accounts by the Company (or by any other person on the security or guarantee of the Company) to any Director or Officer of the Company, including loans repaid during the period; and
- (b) The amount of any similar loans made previously and still outstanding.

The provisions of (a) and (b) above as to loans do not apply to a Company whose ordinary business includes the lending of money if the loan is made in the ordinary course of business, or to a loan to an employee if the loan does not exceed £2,000 and is certified by the Directors to have been made in accordance with any practice adopted or about to be adopted respecting loans to employees. The Opinion of Counsel is that loans to Directors or Officers who are also employees need not be specially referred to if made in accordance with a general practice applying to employees.

- (c) The total amount paid directly or indirectly to the Directors as remuneration for their services, including all fees, percentages or other \* emoluments receivable from the Company or any subsidiary, but not including a Managing Director and only the Director's fees of a salaried Director.

If the requirements of sect. 128 as set out above are not complied with, the Auditors must give the required particulars in their report on the Balance Sheet of the Company so far as they are reasonably able to do so. (Sect. 128(4).)

\* The expression "emoluments" includes fees, percentages and other payments made, or consideration given, directly or indirectly, to a Director as such, and the money value of any allowances or perquisites belonging to his office. (Sect. 128 (5).)

- (14) The Balance Sheet must be signed by two Directors (if there are two) and the Auditors' Report must be attached to the Balance Sheet. (Sect. 129 (1).) **(There is now no provision for a separate Report.)**

In the case of a Banking Company registered after August 15th, 1879, the Balance Sheet must be signed as hitherto by the Secretary or Manager, if any, and where there are more than three Directors of the Company, by at least three of those Directors, and where there are not more than three, then by all the Directors. (Sect. 129 (2).)

#### **5. Annexe to Balance Sheet—Statement by the Directors re Subsidiaries.** (Sect. 126.)

Where a Company is a "holding Company" there must be annexed to the Balance Sheet a statement signed by the two Directors who signed the Balance Sheet stating how the profits and losses of the subsidiaries (in aggregate) have

(so far as they concern the holding Company) been dealt with for the purpose of the accounts of the holding Company, and in particular :—

- (a) To what extent provision has been made for the losses of a subsidiary Company in the accounts of that Company or of the holding Company or both ; and
- (b) To what extent the losses of a subsidiary Company have been taken into account by the Directors of the holding Company in arriving at the profits and losses of the holding Company as disclosed in its accounts.

It is not necessary to show in detail the actual profits or losses of a subsidiary or how any part thereof has been dealt with.

Where the Auditor's Report on a subsidiary is qualified, the above statement must contain particulars of the qualification.

Where the Directors are unable to obtain the particulars for the above statement, a report to that effect signed by the two Directors who signed the Balance Sheet must be substituted for the statement.

The Opinion of Counsel is that the Auditors are not responsible for the accuracy of the Directors' Statement above referred to and that unless the Statement is contained in a separate document it should appear below the Auditors' report.

#### **6. Directors' Report to be Attached to Balance Sheet. (Sect. 123 (2).)**

There must be attached to the Balance Sheet a Report by the Directors stating the amount they recommend as dividend and the amount they propose to carry to Reserve Fund, General Reserve or Reserve Account. A reserve may be shown specifically on the Balance Sheet for that year or, if not, then it must be shown on a subsequent Balance Sheet. Counsel advise that this does not apply to secret reserves, as such reserves would not be shown specifically on the Balance Sheet.

### **ACCOUNTS TO BE ISSUED AND ACCOUNTS TO BE FURNISHED ON DEMAND.**

#### **7. Accounts to be issued by Public Companies. (Sect. 130 (1).)**

Not less than seven days before the date of the General Meeting there must be sent to all persons entitled to receive notices of general meetings of the Company a copy of every Balance Sheet, including every document required by law to be annexed thereto, which is to be laid before the Company in general meeting, together with a copy of the Auditors' Report.

The documents required to be annexed or attached to the Balance Sheet are :—

- (1) The statement by Directors re subsidiary Companies. (See paragraph 5 hereof.)
- (2) The Directors' Report. (See paragraph 6 hereof.)

It has been suggested that the words "Every document required by law to be annexed thereto" includes also the Profit and Loss Account. This contention is based on sect. 123 (2), but a careful reading of the section will show that



the Profit and Loss Account is merely referred to in order to fix the date of the Balance Sheet, and the Opinion of Counsel is that the Act does not require the Profit and Loss Account to be sent out with the Balance Sheet.

Who the persons are who are "entitled to receive notices of general meetings" depends largely on the Company's Articles of Association. In this connection, the provisions of the new Act are contained in sect. 115, supplemented by Clause 107 of Table A. These provisions are as follows:—

Sect. 115. The following shall have effect in so far as the Articles of the Company do not make other provision in that behalf:

Notice of the meeting of a company shall be served on every member of the Company in the manner in which notices are required to be served by Table A, and for the purpose of this paragraph the expression "Table A" means that Table as for the time being in force.

Table A, Clause 107. Notice of every general meeting shall be given in some manner hereinbefore authorised to (a) every member except those members who (having no registered address within the United Kingdom) have not supplied to the company an address within the United Kingdom for the giving of notices to them, and also to (b) every person entitled to a share in consequence of the death or bankruptcy of a member, who, but for his death or bankruptcy, would be entitled to receive notice of the meeting. No other persons shall be entitled to receive notices of general meetings.

#### **8. Accounts to be Furnished on Demand to Preference Shareholders and Debenture Holders of Public Companies. (Sect. 130 (1) (b).)**

By sect. 114 of the Companies (Consolidation) Act, 1908, holders of preference shares and debentures in public companies were given the same right to receive and inspect the Balance Sheets of the Company and the Reports of the Auditors as the holders of the Ordinary Shares. This section was repealed by Schedule III of the Amending Act of 1928, and has consequently been dropped in drafting the 1929 Act (which is a consolidating Act only), but sect. 130 (1) (b) of the new Act gives "any member" and "any holder of Debentures" of a Public Company the right to be furnished on demand without charge with a copy of the last Balance Sheet of the Company, including every document required by law to be annexed thereto, together with a copy of the Auditors' Report on the Balance Sheet.

Officers are liable to a penalty for any default in complying with the provisions of sect. 130, but the Opinion of Counsel is that the Auditors cannot be in default in respect of a matter of this character which does not fall within the scope of their duties.

#### **9. Accounts to be Furnished on Request by Private Companies. (Sec. 130 (2).)**

In the case of a Private Company there is no legal obligation to send a Balance Sheet or Profit and Loss Account to the Shareholders, but any member is entitled to be furnished, within seven days after he has made a request to the Company, with a copy of the Balance Sheet and the Auditors' Report at a charge not exceeding sixpence for every 100 words. In this case there is no mention in the Act of

"every document required by law to be annexed thereto," as in the case of Public Companies. Here, again, there is a penalty for default, but as in the case of Public Companies, the Auditors would not be concerned.

**10. Statements to be Exhibited and Furnished by Banking and Other Companies. (Sect. 131.)**

The provisions of sect. 131 and Schedule VII of the Act relating to statements to be exhibited in the offices of limited Banking Companies, Insurance Companies, Deposit, Provident and Benefit Societies, are practically a reproduction of sect. 108 and Schedule I (c) of the 1908 Act. By sect. 131 (3) of the new Act every member and every creditor of a Company is entitled to a copy of the statement on payment of a sum not exceeding sixpence.

**AUDITORS: THEIR RIGHTS, DUTIES, LIABILITIES, AND DISQUALIFICATION FOR APPOINTMENT.**

**11. Appointment of First Auditors. (Sect. 132.)**

The first Auditors of a Company may now be appointed by the Directors *at any time before the first Annual General Meeting*, and shall hold office until that meeting subject to the power of the Company in general meeting to remove them and appoint other Auditors in their place. Due notice must be given to the Auditors of any such meeting.

Hitherto, by sect. 112 of the 1908 Act, the first Auditors could only be appointed by the Directors *before the Statutory Meeting*.

**12. Disqualification for Appointment as Auditors. (Sect. 133.)**

The following persons are not qualified for appointment as Auditors:—

**In the case of a Public Company :**

- (a) A Director or Officer of the Company.
- (b) A person who is a partner of, or in the employment of, an officer of the Company.

(The Opinion of Counsel is that for this purpose a Director is an officer.)

- (c) A body corporate.

**In the case of a Private Company :**

- (a) A Director or Officer of the Company.
- (b) A body corporate.

A body corporate (which would include not only a limited Company but a Company or Association incorporated by special Act of Parliament or otherwise), is not to be disqualified from acting as Auditor under an appointment made before August 3rd, 1928. Such an appointment, however, would be for one year only, because, under sect. 132 (1), an appointment of Auditor has to be made at every Annual General Meeting. The effect, therefore, is that any re-election in the future of a body corporate as Auditor would be illegal.

### **13. Liability of Officers and Auditors. (Sects. 152, 365 and 372.)**

Subject to certain provisos, it is enacted by sect. 152 that any provision, whether contained in the Articles of a Company or in any contract with a Company or otherwise, for exempting any Director, Manager or Officer of the Company or any person (whether an officer or not) employed by the Company as Auditor from or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty, or breach of trust of which he may be guilty in relation to the Company, shall be void.

This is qualified, in relation to any provision in force at November 1st, 1929, to the extent that the section is to have effect only at the expiration of six months from that date, and nothing in the section is to deprive any person of any exemption or right of indemnity in respect of anything done or omitted to be done by him while any such provision was in force.

The right of application to the Court for relief contained in sect. 279 of the 1908 Act is extended to Auditors by sect. 372 of the 1929 Act, with the addition that application may be made where a case is being tried or where it is reasonably apprehended that a claim will or might be made for negligence, default, breach of duty or breach of trust. This is no doubt in consequence of the provisions of sect. 152 referred to above, by which the Auditors are brought into line with the Directors as regards the removal of protection by the Company's Articles of Association.

The term "Officer who is in default" is defined by sect. 365 (2) as meaning "any Director, Manager, Secretary or other Officer of the Company who knowingly and wilfully authorises or permits the default, &c."

### **14. Auditors' Right to Attend General Meetings. (Sec. 184 (3). )**

The Auditors of a Company are now granted a statutory right to attend any general meeting of the Company at which any accounts which have been examined or reported upon by them are to be submitted, and to make any statement or explanation they may desire regarding such accounts. This raises a rather important question. For instance, if the Auditors were to make any statement or explanation at the meeting, would such a statement or explanation be effective for the purpose of modifying or amplifying their written report? The Opinion of Counsel is that it would not, but that the Auditors should bring to the notice of the meeting any matter subsequently coming to their knowledge which, had it been known at the time, would have affected their report. Counsel further advise that the Auditors should answer any proper questions addressed to them at the meeting relative to the accounts, but a legal opinion obtained by the Institute of Chartered Accountants advises that the Auditors would be wise to refrain from answering, without the sanction of the Board, any questions put by Shareholders. The section is merely permissive, and the Auditors should accordingly exercise their own judgment as to whether they should absent themselves from the Annual General Meeting. On the other hand, an Auditor, if present at the Meeting, should, in the opinion of Counsel, correct any wrong information given by a Director in respect of matters arising out of the Auditor's Report.



### **15. Auditors' Report to the Members. (Sect. 134 (1).)**

It should be observed that the Auditors' Report on the Balance Sheet has now to be made to the Members instead of to the Shareholders as formerly.

There is no alteration in the terms of the Report, which must state :—

- (a) Whether or not they have obtained all the information and explanations they have required ; and
- (b) Whether, in their opinion, the Balance Sheet referred to in the Report is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the Company.

It is necessary, however, to bear in mind that the Report must *in all cases* be attached to the Balance Sheet and be read before the Company in General Meeting and be open to inspection by any member (sect. 129 (1)). The provision which was contained in sect. 113 (3) of the 1908 Act giving an option to the Auditors to make a separate report to the Shareholders and merely make a reference to it at the foot of the Balance Sheet has now been dropped.

### **16. Auditors and Board of Trade Investigations and Proceedings resulting therefrom. (Sects. 135 and 136.)**

The provisions of the Act under this head are substantially the same as were previously contained in sect. 109 of the 1908 Act, but sub-sect. (5) of sect. 135 of the new Act contains an amplification of the old provisions, and reads as set out below. Sub-sects. (3) and (4) of the same section are likewise reproduced, as they are necessary in order to make the meaning of sub-sect. (5) understood :—

- (3) It shall be the duty of all officers and agents of the Company to produce to the inspectors all books and documents in their custody or power.
- (4) An inspector may examine on oath the officers and agents of the Company in relation to its business and may administer an oath accordingly.
- (5) If any officer or agent of the Company refuses to produce to the inspectors any book or document which it is his duty under this section so to produce, or refuses to answer any question which is put to him by the inspectors with respect to the affairs of the Company, the inspectors may certify the refusal under their hand to the Court, and the Court may thereupon enquire into the case, and after hearing any witnesses who may be produced against or on behalf of the alleged offender and after hearing any statement which may be offered in defence, punish the offender in like manner as if he had been guilty of contempt of Court.

The Opinion of Counsel is that the Auditor of the Company could be made liable under sub-sect. (5) as an " Officer or Agent of the Company." In view of this Opinion, it is not very evident why a special definition of " Agents " is necessary in relation to sect. 136 below, where the same term is used.

Sect. 136 (2) relates to **proceedings which may be taken by the Director of Public Prosecutions** as a result of a Board of Trade investigation, and provides

that it shall be the duty of all officers and agents of the Company to give him all the assistance they are reasonably able to give. The sub-section also enacts as follows :—

For the purposes of this sub-section, the expression “agents” in relation to a Company shall be deemed to include the Bankers and Solicitors of the Company and any persons employed by the Company as Auditors, whether those persons are or are not Officers of the Company.

The effect of this provision is that professional privilege cannot be pleaded.

#### **17. Directors' Remuneration—Certified Statement. (Sec. 148.)**

On the written demand of members of the Company entitled to not less than one-fourth of the aggregate number of votes to which all the members of the Company are together entitled, the Directors of the Company must furnish all the members of the Company within a period of one month from the receipt of the demand with a statement **certified as correct (or with such qualifications as may be necessary) by the Auditors of the Company** showing, in respect of each of the last three years of the Company's accounts, the aggregate amount received (without specifying the amounts received by Directors individually) in that year by way of remuneration or other emoluments by the Directors of the Company (whether as Directors or otherwise) in connection with the management of the Company and its subsidiaries; and this is to include the remuneration or other emoluments for his own use received by a Director who is by virtue of the nomination of the Company appointed a Director or otherwise in connection with the management of the affairs of any other Company, as well as any amounts paid by the Company on his behalf for Income Tax, Super Tax and Surtax.

There is, however, a proviso that the demand for a statement under this section is to be of no effect if the Company within one month of the demand resolve that the statement shall not be furnished.

#### **18. Report for Statutory Meeting of Public Companies. (Sect. 113.)**

Sub-sect. (3) (c) of sect. 113 varies sect. 65 of the 1908 Act in regard to the statement of receipts and payments to be embodied in the report for the Statutory Meeting and provides that all receipts and payments, and not receipts and payments on account of capital only, must be included. But the portion of the report **to be certified as correct by the Auditors** remains as before, and relates only to the shares allotted by the Company, to the cash received in respect of such shares, and to the receipts and payments on Capital Account.

**Private Companies are not now required to hold a Statutory Meeting.** (Sect. 113 (10)). Hitherto they were obliged to hold a meeting, but were not required to forward or file the Report submitted to the meeting.

#### **19. Prospectus. (Sects. 34-37 and Schedule IV.)**

Sect. 35 (together with the 4th Schedule) adds to and amplifies the particulars which are required to be stated in a prospectus. Amongst the new provisions are the undermentioned which relate to Accountants and Auditors. Parts II, and III. of the 4th Schedule require the following to be set out in the prospectus :—

(1) **A Report by the Company's Auditors** specifying the profits of the Company and the rates of dividends (if any) paid on each class of the Company's shares in respect of each of the three financial years immediately preceding the issue of the prospectus, or such shorter period as the business has been carried on and the accounts made up. The term "financial year" means the year or greater or less period in respect of which the accounts have been made up. If no accounts have been made up for any part of the period of three years ending on a date three months before the issue of the prospectus the report of the Auditors must contain a statement to that effect.

(2) **A Report by Accountants to be named in the Prospectus** upon the profits for each of the three financial years immediately preceding the issue of the prospectus of any business to be purchased out of the proceeds of the issue.

The effect of the foregoing is to prevent prospectuses being issued with certificates by Accountants or Auditors showing average profits only, without also showing the profits of the individual years.

**Responsibility for Prospectus.** The Opinion of Counsel is that the Auditor whose name appears on the prospectus is not liable under sect. 34 (5) unless he is knowingly "a party to the issue of the prospectus," and that he is not "a person who has authorised the issue of the prospectus" within the meaning of sect. 37 (1) (d).

#### **ANNUAL RETURN AND LIST OF MEMBERS.**

##### **20. Companies Having a Share Capital. (Sects. 108 and 110.)**

A form of Annual Return is set out in the Sixth Schedule to the Act.

The following amendments have been made by sect. 108 in respect of the contents of the Annual Return of every Company having a share capital :—

- (1) If the names are not arranged in alphabetical order, an index sufficient to enable the name of any person to be readily found must be annexed.
- (2) The address of the registered office of the Company must be given.
- (3) Particulars must be given of the discount allowed on the issue of any shares which have been issued at a discount, or so much as has not been written off.
- (4) All such particulars as to Directors must be supplied as are required to be contained in the Company's Register of Directors. (See paragraph 23 hereof.)

By sect. 110, every Company, except a Private Company or an Assurance Company which has complied with the provisions of sect. 7 (4) of the Assurance Companies Act, 1909, must also include in its Annual Return :—

- (5) A written copy (which expression includes a printed copy) of the last audited Balance Sheet, including every document required by law to be annexed thereto.
- (6) A copy of the Auditors' Report ; and
- (7) An English translation of the Balance Sheet if it is in a foreign language.

The documents mentioned in (5), (6) and (7) must be certified as true copies by a Director or the Manager or Secretary of the Company.



If the Balance Sheet did not comply with the requirements of the law as in force at the date of the audit as to the form of Balance Sheets, the necessary additions and corrections must be made to make it comply, and that fact must be stated on the Balance Sheet.

The Annual Return must be contained in a separate part of the Company's Register of Members, and must be completed and *forwarded to the Registrar of Companies within 28 days after the first or only General Meeting in the year*. It must also be open to inspection at the Company's registered office in the same way as the Register of Members.

#### **21. Companies Having No Share Capital.** (Sects. 109 and 110.)

The form of Annual Return is No. 7 of the 1929 forms.

The Annual Returns of these Companies are governed by sects. 109 and 110. The former is an entirely new provision and is the substitute for sect. 108, which relates only to Companies having a share capital. Under section 109 it is provided that the Annual Return (to be made once in every calendar year) must contain :—

- (a) The address of the Registered Office of the Company ; and
- (b) All such particulars with respect to persons who at the date of the Return are Directors of the Company, as are required to be contained in the Company's own Register of Directors. (See paragraph 28 hereof).

There must also be annexed to the return a statement containing particulars of the total amount of the indebtedness of the Company in respect of all mortgages and charges which are required to be registered with the Registrar of Companies, all of which would have been required to be registered if created after July 1st, 1908.

The provisions of sect. 110, which, in the Opinion of Counsel, applies to these Companies, are set forth in paragraph 20 above, from item No. (5) onwards.

#### **22. Private Companies.** (Sects. 108, 110 (1) and (2) and 111.)

The form of Annual Return is given in Schedule VI.

The provisions relating to the Annual Returns of Private Companies are included in sects. 108, 110 (1) and (2) and 111. The main alterations in sect. 108 (which applies to all Companies having a share capital) are set out in paragraph 20 above. The only provisions in sect. 110 (1) and (2) are (a) that the Annual Return must be kept in a separate part of the Register of Members and must be completed within 28 days after the first or only general meeting of the year, and forthwith sent to the Registrar of Companies signed by a Director or by the Manager or Secretary of the Company, and (b) that it must be open for inspection in the same way as the Register of Members. Sect. 111 is practically a reproduction of sect. 1 (8) of the Companies Act, 1913.

### **MISCELLANEOUS PROVISIONS.**

#### **23. Register of Directors.** (Sect. 144.)

In connection with the Register of Directors or Managers which is required to be kept at the Registered Office of the Company, it is now provided that this Register must contain with respect to each of the Directors or Managers the following particulars :—

- (a) In the case of an individual, his present christian name and surname, any former christian name or surname, his usual residential address,

his nationality, and, if that nationality is not the nationality of origin, his nationality of origin, and his business occupation, if any, or, if he has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some one of those directorships; and

- (b) In the case of a corporation, its corporate name and registered or principal office.

#### **24. Compensation to Directors for Loss of Office. (Sect. 150.)**

It is now made unlawful in connection with the transfer of the whole or any part of the undertaking or property of a Company for a payment to be made to any Director by way of compensation for loss of office, or as consideration for his retirement, unless particulars of the proposed payment, including the amount thereof, have been disclosed to the members of the Company and approved by them. This is to apply to the price to be paid for any shares transferred to a Director who is retiring or whose office is to be abolished, in excess of the price which could at the time have been obtained by other holders of like shares, and also to any other valuable consideration given to the Director in connection with his retirement from office.

#### **25. Extraordinary and Special Resolutions. (Sect. 117.)**

An **Extraordinary Resolution** has now to be passed (at a General Meeting of which notice specifying the intention to propose the resolution has been given) by a majority of not less than three-fourths of *such members as actually vote in person or by proxy*. By sect. 69 of the 1908 Act the words were: "Not less than three-fourths of such members entitled to vote as are present in person or by proxy." The difference is that only those who actually vote are to be counted in calculating the three-fourths majority.

A **Special Resolution** must be passed in the same way as an Extraordinary Resolution at a general meeting held with not less than 21 days notice specifying the intention to propose the resolution as a Special Resolution. *No confirmatory meeting is now required.*

#### **26. Index of Members. (Sect. 96.)**

Every Company having more than 50 Members must now keep an Index (which may be in the form of a Card Index) of the names of the Members of the Company, unless the Register of Members is in such a form as to constitute in itself an Index, and any alteration in the Register must be given effect to in the Index within 14 days. The Index must be open to inspection in the same way as the Register of Members.

#### **27. Table A. (Sect. 8.)**

The form of Articles embodied in Table A continues to apply where not excluded, and the provisions of Table A in the new Act are amended to bring them into line with the amendments in the body of the Act.

## **28. Forms.**

The Companies (Forms) Order, 1929, sets out the various forms required for carrying out the provisions of the Act. The Order was issued under date October 7th, 1929, and is obtainable from H.M. Stationery Office, Adastral House, Kingsway, W.C.2. Price 1s. 4d.

## **WINDING UP.**

### **29. Classes of Liquidation.**

Under the new Act there will be four classes of liquidation :—

- (1) Winding up by the Court,
- (2) Members' Voluntary Winding Up,
- (3) Creditors' Voluntary Winding Up; and
- (4) Winding up under the supervision of the Court.

The chief alteration is the division of voluntary winding up into two classes. In order to decide whether a winding up is to be a Members' Voluntary Winding Up or a Creditors' Voluntary Winding Up, it is provided by sect. 230 that, where it is proposed to wind up a Company voluntarily, the Directors of the Company, or a majority of them where there are more than two, may, before convening a meeting for passing a resolution to wind up, make a statutory declaration to the effect that they have made a full inquiry into the affairs of the Company and formed the opinion that the Company will be able to pay its debts in full within 12 months of the commencement of the winding up. Where such a declaration has been made and delivered to the Registrar of Companies the winding up is to be a "Members' Voluntary Winding Up," and where such a declaration has not been made and delivered the winding up is to be a "Creditors' Voluntary Winding Up."

### **30. Members' Voluntary Winding Up. (Sect 232.)**

In a Members' Voluntary Winding Up the control will be in the hands of the shareholders, who will appoint the Liquidator and fix his remuneration. In other respects this class of winding up will be substantially the same as a voluntary liquidation under the old law. The following provisions apply :—

(a) **Final Meeting and Accounts.**—The provisions of sect. 224 of the 1908 Act in regard to the statement to be sent to the Registrar of Companies where the winding up is not concluded within a year of its commencement are reproduced in sect. 284 of the new Act, but sect. 236 of that Act, which relates to the holding of the final meeting in the winding up, requires the Liquidator when making his return of that meeting to send to the Registrar of Companies a copy of the account which he submits to the meeting. This must be done within a week after the meeting is held.

(b) **Filing Resolutions, &c.**—When a Company is in voluntary liquidation, the Liquidator is now to be deemed an Officer of the Company for the purpose of sect. 118 of the Act, which relates inter alia to the filing of resolutions for winding up and Special and Extraordinary Resolutions.

For provisions applicable to every mode of winding up see Paragraph 34 below.



### 31. Creditors' Voluntary Winding Up. (Sects. 238 to 241 and 245.)

In a Creditors' Voluntary Winding Up the control will be mainly in the hands of the creditors.

(a) **Appointment of Liquidator.**—When a meeting is being called by a Company to wind up voluntarily, a meeting of the Creditors must be convened simultaneously and held on the same day as the meeting of the Company, or on the following day, and if the two meetings nominate different persons as Liquidators the nomination made by the Creditors shall prevail, unless an application is made to the Court. Any Director, Member, or Creditor of the Company may, within seven days after the date on which the nomination was made by the Creditors, apply to the Court for an Order either directing that the person nominated as Liquidator by the Company shall be Liquidator instead of or jointly with the person nominated by the Creditors, or appointing some other person to be Liquidator. (Sects. 238 and 239.)

(b) **Committee of Inspection.**—In the same way, the Creditors may appoint a Committee of Inspection, and their appointment shall supersede any appointment of a Committee made by the Members, unless an application is made to the Court and the Court otherwise directs. (Sect. 240.)

(c) **Remuneration.**—The remuneration of the Liquidator is to be fixed by the Committee of Inspection, or if there is no Committee, then by the Creditors. (Sect. 241.)

(d) **Filing Resolutions, &c.**—When a Company is in voluntary liquidation, the Liquidator is now to be deemed an Officer of the Company for the purpose of sect. 118 of the Act, which relates *inter alia* to the filing of resolutions for winding up and Special and Extraordinary Resolutions.

(e) **Final Meetings and Accounts.**—It is provided by sect. 245 that as soon as the affairs of the Company are fully wound up, the Liquidator must make up an account showing how the winding up has been conducted and the property of the Company disposed of, and submit the account to General Meetings of the Creditors and of the Company, and within one week of the date of the latest of these meetings he must send to the Registrar of Companies a copy of the accounts so submitted, together with a return of the holding of the meetings.

In the event of the winding up not being concluded within one year of its commencement, the Liquidator must send to the Registrar of Companies a statement as to the proceedings in and position of the liquidation, and a similar statement every six months thereafter. (Sect. 284.)

See Paragraph 34 for Provisions applicable to every mode of Winding Up.

### 32. Winding Up by the Court.

There are no very important alterations with regard to this mode of liquidation. By sect. 190 the Court may, on the application of the Liquidator, make an Order directing that all or any part of the property belonging to the Company or held by Trustees on its behalf shall vest in the Liquidator by his official name, and the Liquidator may, in his official name, bring or defend any action or other legal proceeding relating to that property for the purpose of the Winding Up.

See also Paragraph 34 below for Provisions applicable to every mode of winding up.

### 33. Winding up under Supervision of the Court.

The only alterations that affect this mode of liquidation are those which apply to every form of Winding Up, as to which see Paragraph 34 below.

### 34. Provisions Applicable to Every Mode of Winding Up.

(a) **Proofs of Debt.**—It is provided by sect. 261 that "all claims against the Company, present or future, certain or contingent, ascertained or sounding only in damages, shall be admissible to proof against the Company." Counsel advise that a Liquidator in a voluntary liquidation has the same discretion as to dispensing with proofs of debt as he had under the Act of 1908.

(b) **Disclaimers.**—By sect. 267 rules similar to those in Bankruptcy proceedings in regard to the disclaimer of onerous property are now to be applied to Companies being wound up in England. The property of a Company does not vest in the Liquidator in the same way that the property of a Bankrupt vests in a Trustee in Bankruptcy. The disclaimer accordingly operates "to determine the rights, interest and liabilities of the Company" in the property disclaimed, and not the rights, interest and liabilities of the Liquidator. The object, no doubt, is to enable the liabilities of the Company to be ascertained and the liquidation closed.

(c) **Omission to Keep Proper Books.**—A new provision is introduced with regard to neglect of a Company to keep proper books of account. Sect. 274 enacts that where proper books of account were not kept throughout the two years immediately preceding the commencement of the winding up, every Director, Manager or other officer of the Company who was knowingly a party to the default shall, unless he can show that he acted honestly, or that the default was excusable, be liable on conviction to imprisonment. Counsel take the view that if a Company does not keep proper books, it is the Auditor's duty to say so in his report, and if he neglects that duty he may incur liability.

"Proper books of Account" are deemed not to have been kept unless there are kept "such books or accounts as are necessary to exhibit and explain the transactions and financial position of the trade or business of the Company, including books containing entries from day to day, in sufficient detail, of all cash received and cash paid, and, where the trade or business has involved dealings in goods, statements of the annual stocktakings and (except in the case of goods sold by way of ordinary retail trade) of all goods sold and purchased, showing the goods and the buyers and sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified."

(d) **Liquidations already Commenced.**—The provisions of the Act do not apply to any Winding Up which commenced before November 1st, 1929. In such cases the old law continues to operate. (Sect. 383.)

(e) **Corporate Bodies Ineligible as Liquidators.**—It is provided by sect. 278 that a body corporate shall not be qualified for appointment as Liquidator of a Company either in a Winding Up by or under the supervision of the Court or in a Voluntary Winding Up, but this is not to invalidate any appointment made before August 3rd, 1928.

**35. Rules.**

Amended Winding Up Rules under the 1929 Act have been issued and are obtainable from H.M. Stationery Office, Adastral House, Kingsway, W.C.2. Price 3s.

**RECEIVERSHIPS.**

**36. Disqualification of Corporate Body.**

A body corporate is now disqualified for appointment as Receiver of the property of a Company except that any appointment of such a body made before August 3rd, 1928, shall be valid. (Sect. 306.)

**37. Intimation of Receivership on Documents.**

Where a Receiver or Manager has been appointed, every invoice, order for goods, or business letter issued by or on behalf of the Receiver or Manager or Liquidator (if any) being a document upon which the name of the Company appears, must contain a statement that a Receiver or Manager has been appointed. If default is made, both the Receiver and the Liquidator are liable to a fine if they knowingly and wilfully authorise the default. (Sect. 308.)

**38. Remuneration.**

On an application made by the Liquidator of a Company, the Court may fix the amount of the remuneration of any person who, under the powers contained in any instrument, has been appointed as Receiver or Manager of the property of the Company, and may from time to time, on the application either of the Liquidator or the Receiver or Manager, vary or amend any Order so made. (Sect. 309.)

**39. Receiver's Accounts.**

The accounts to be rendered by a Receiver are practically the same as hitherto, except that at the end of the Receivership the Receiver must now deliver to the Registrar of Companies, in addition to his account for the last period, an account in aggregate of his receipts and payments during all preceding periods since his appointment.



## APPENDICES.

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No. 1.—Pro Forma Balance Sheet

No. 2.—Counsel's Opinion

## CAPITAL AND LIABILITIES.

SHARE CAPITAL :										£	s.	d.	£	s.	d.	
Authorised—																
S. 46	{	Preference	..	..	..	..	..	..	..							
Par. 4 (1)		Redeemable Preference	..	..	..	..	..	..	..							
		Ordinary	..	..	..	..	..	..	..	..						
										<hr/>						
Issued—										<hr/> <hr/>						
S. 46 (2)	{	Preference	..	..	..	..	..	..	..							
Par. 4 (1)		Redeemable Preference (giving date of redemption)	..													
		Ordinary	..	..	..	..	..	..	..	..						
S. 54 (g)	{	Capital on which (with Board of Trade consent) interest														
Par. 4 (2)		during construction, &c., is being paid (giving rate of interest)	..	..	..	..	..	..	..	..						
DEBENTURES										..	..	..	..	..	..	..
S. 75 (3)	{	REDEEMED DEBENTURES which can be re-issued	..	..	..											
Par. 4 (3)		(This will probably represent a Debenture Redemption Fund.)														
SUNDRY CREDITORS :																
S. 124 (1)	{	Trade Creditors	..	..	..	..	..	..	..							
Par. 4 (6)																
S. 124 (3)	{	Secured Creditors (other than by operation of law)	..	..												
Par. 4 (4)																
S. 125	{	Subsidiary Companies (in aggregate)	..	..	..	..	..	..	..							
Par. 4 (10)		(Debentures (if any) to be shown as a Memorandum)														
Other Creditors										..	..	..	..	..	..	..
S. 123 (2)	{	RESERVE FUND, GENERAL RESERVE OR RESERVE ACCOUNT	..													
Par. 4 (12)																
S. 46 (1) (c)	{	CAPITAL REDEMPTION RESERVE FUND	..	..	..	..										
Par. 4 (5)																
PROFIT AND LOSS ACCOUNT										..	..	..	..	..	..	..
										<hr/>						
										<hr/>						
S. 120	{	Auditors' Report to the Members.—This must be attached to Balance Sheet in all cases														
Par. 15		(There is now no provision for a separate report.)														
S. 126	{	In the case of a holding Company, statement to be annexed signed by the two Directors														
Par. 5		who sign the Balance Sheet, stating how the Profits and Losses of subsidiaries have been dealt with ; also mentioning any qualification in Auditors' Report on a subsidiary. (To be printed below Auditors' Report or separately).														

# BALANCE SHEET

Par. denotes Paragraph of this Pamphlet.

## ASSETS.

£ s. d. £ s. d.

S. 124 (1) Par. 4 (6)	{	<b>FIXED ASSETS :</b> ( <i>Counsel consider this heading optional</i> )			
		Land and Buildings (stating how valued)	..	..	..
S. 124 Par. 4 (6)		Plant and Machinery (stating how valued)	..	..	..
and (7)		Fixtures and Fittings (stating how valued)	..	..	..
		Goodwill, Patents and Trade Marks so far as not written off (stating how valued)	..	..	..

S. 124 (1) Par. 4 (6)	{	<b>FLOATING ASSETS :</b> ( <i>Counsel consider this heading optional</i> )			
S. 124 (1) Par. 4 (6)		Trade Debtors	..	..	..

S. 125 Par. 4 (8)	{	Shares in Subsidiary Companies (in aggregate)	..	..	..
and (9)		Debentures do. (do.)	..	..	..
		Other amounts owing by Subsidiary Companies (in aggregate) (Foreign Subsidiaries to be included, per Counsel's Opinion)	..	..	..
		Counsel advise that Debentures should be shown separately and that both nominal and book values should be stated			

S. 128 Par. 4 (13)	{	<b>Loans to Directors or Officers of Company :</b> (For exceptions see S. 128 (2))			
		Balance at beginning of period	..	..	..
		Further since	..	..	..

**Less Repaid during period of accounts** .. .. - - - -

Exception in the case of—

- (a) Money lending Companies if loan made in ordinary course of business, or
- (b) Loan to employee if not more than £2,000 and made in accordance with practice

S. 128 Par. 4 (13)	{	Also Memorandum as to Loans to Directors or Officers by any person on Company's security or guarantee ..			
S. 45 Par. 4 (11)		Loans by Company—for purchase of fully-paid Shares for benefit of employees of Company. (Observe provision as to loans which are illegal) .. ..			

		Other Debtors	..	..	..
		Investments (other than stated above)	..	..	..
		Stock-in-Trade	..	..	..
		Cash	..	..	..

S. 124 (2) Par. 4 (7)	{	<b>PRELIMINARY EXPENSES</b> (so far as not written off) .. ..			
S. 124 (2) Par. 4 (7)		<b>EXPENSES OF ISSUE OF CAPITAL OR DEBENTURES</b> (so far as not written off) .. ..			

S. 44 Par. 4 (7)	{	<b>COMMISSION PAID ON SHARES AND DEBENTURES AND DISCOUNT ON DEBENTURES</b> (so far as not written off) .. ..			
S. 47 (3) Par. 4 (7)		<b>DISCOUNT ON SHARES ISSUED</b> (with leave of Court) at a discount (so far as not written off) .. ..			

S. 129 (1)  
Par. 4 (14) } \_\_\_\_\_ } *Signatures of two Directors.*



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£ s. d.    £ s. d.

S.128  
Par. 4  
(13) (c) { DIRECTORS' REMUNERATION (in total), including all fees, percentages  
&c. (not to include a Managing Director and only the Directors'  
Fees of a salaried Director) .. .. .

S. 128 (1) (c)  
Par. 4  
(13) (c) { Amount receivable from subsidiary Companies must also be  
stated .. .. .

S. 128 (4)  
Par. 4  
(13) (c) { NOTE.—If the above requirements are not complied with,  
Auditors must give the information in their report so far as  
they are reasonably able to do so.

#### 

S. 46 (1)  
Par. 4 (5) { Redeemable Preference Shares can only be redeemed out of  
Profits available for dividend or out of the proceeds of  
a fresh issue of Shares made for the purpose. If redeemed  
out of profits an amount equal to the sum so applied  
must be transferred to a "Capital Redemption Reserve  
Fund."

## COUNSEL'S OPINION.

s. d.

1. We think that sect. 110 applies to Companies not having a share capital, as well as to other Companies.

2. We do not think that sect. 123 (2) applies to "secret reserves": it applies only to the amount to be carried to reserves shown or proposed to be shown as such in Balance Sheets.

3. We do not think that sect. 124 (1) requires assets to be labelled in groups as fixed assets and floating, but, unless grouped under such titles, assets should be described in such terms as enable a judgment to be formed whether they are fixed or floating. No single value should appear for a combination of assets which includes fixed as well as floating assets.

4. A security arises "by operation of law" within the meaning of sect. 124 (3) when it results from the general law as distinct from the agreement of the parties, *e.g.*, charges arising under Private Street Works Acts or a Vendor's lien for unpaid purchase money.

5. Under sect. 125 the total indebtedness of a holding Company to its subsidiary must be stated. Debentures of the parent Company owned by the subsidiary fall to be included in the aggregate amount of the indebtedness to the subsidiary.

As regards debenture indebtedness to the holding Company, nominal amount, book value and method of valuation should be stated.

Neither the incorporation of the assets and liabilities of a subsidiary in the Balance Sheet of the holding Company, nor the issue of a separate Balance Sheet of the subsidiary Company is a compliance with the section.

6. The Auditors are not, in our opinion, responsible for the accuracy of the statement referred to in sect. 126. That statement unless contained in a separate document should appear below the Auditors' Report.

7. We think that sects. 126 and 127 include subsidiary Companies registered abroad. All subsidiaries, whether registered at home or abroad, fall, for the purpose of the holding Company, to be treated alike.

Where Company A. is a subsidiary of Company B., and Company B. is a subsidiary of Company C., Company A. is not necessarily a subsidiary of Company C., as shares held by Company B. in Company A. are not held by Company B. as a nominee for Company C. But if Company C. own any shares in Company A., it may well be that the facts are such that Company C. has power indirectly to appoint a majority of the Directors of Company A. (see sect. 127 (1) (b)). Company A. in that case is a subsidiary of Company C. and also of Company B.

8. The point of sub-sect. 2 (a) of sect. 128 was to except loans made by certain classes of Companies to Directors or Officers, *e.g.*, the overdraft with a Banking Company due to it from one of its own Directors or Auditor.

The wording of the exception contained in sub-sect. 2 (b) of sect. 128 cannot, we think, widen the operation of sub-sect. 1. The effect of the relevant parts of the section is that loans made to employees do not call for special reference in the accounts unless the employee is also a Director or Officer; if, however, a Director or Officer is also an employee, a loan made to him in accordance with a general practice applying to employees need not be mentioned.

9. There is no obligation under the Act to circulate the Profit and Loss account.

10. A Director of a Company is one of its Officers, and by virtue of sect. 133 none of his partners or employees is eligible for appointment as Auditor of a Public Company of which he is a Director.

11. The Auditors' written report attached to the Balance Sheet should be full and accurate, and no Auditor should take or act on the view that a statement made by him at the General Meeting will cover a deficiency or inaccuracy in his report. It will not. The Auditor can, however, and should, in our opinion, bring to the notice of the meeting any matter subsequently coming to his knowledge which, had it been within his knowledge at the proper time, would have been referred to in the report, and if any matter should arise he should make a point of attending the meeting for that purpose. Beyond this the question whether an Auditor should attend a meeting is a matter for his own judgment. As a general matter we think that Auditors who have the advantage of professional qualifications might well take the view that it is a proper practice for them to attend the meeting. We further think that if an Auditor do attend a meeting, he should see that any mis-statements made at the meeting relative to any matter covered by or arising out of the accounts are corrected. We further think that an Auditor should answer any proper question arising out of the accounts addressed to him.

We do not think that the Auditor should, as a matter of common form, assume the burden of making a statement or explaining as to the accounts, as his report should cover the whole ground. There may, of course, be exceptional cases where a statement or explanation is necessary and proper. Upon this the Auditor should use his own judgment.

12. The Liquidator has the same discretion in regard to proofs of debt in a Voluntary Winding Up as were possessed by him under the Act of 1908 and the rules thereunder. (See Rule 104 of Winding Up Rules, 1929.)

13. As a general rule an Auditor is not concerned with the performance of any duties thrown by statute on the Company or its officers, nor liable for penalties expressed to be recoverable from the Company or its Officers for breach of statutory duties unless the subject matter of the duties in question falls within his province. In each case the particular section has to be taken into consideration, and as regards any section which imposes a liability on an "officer who is in default," there has to be borne in mind the general provision in sect. 365 (2) under which that expression is defined to mean an officer "who knowingly and wilfully authorises or permits" the default, refusal or contravention in question.

We think that a person who permits his name to appear as Auditor on a prospectus not duly delivered for registration is subject to the penalties imposed by sect. 34 (5) only if he is knowingly a party to issue without registration.



An Auditor would be liable for a breach of sect. 44 only if he were knowingly a party to such breach.

An Auditor could not, we think, be made liable for penalties under sects. 37, 88, 129, 130, 144, but could be made liable for penalties under sects. 135, 137, 271 (1) (a) and 271 (1) (c). As regards sect. 274, we incline to the view that if a Company do not keep proper books it is an Auditor's duty to say so in his report, and, if he does not say so, we think he might be held to have connived at the default.

14. The question as to the form of the accounts of Companies holding their Annual General Meeting after November 1st, 1929, and before January 1st, 1930, depends on the proper construction of sects. 123 *et seq.*

Under sect. 123 of the Act of 1929 the obligation is imposed of laying a Balance Sheet and a Profit and Loss account before the Company in general meeting in every calendar year. We think that the earliest calendar year to which this section applies is the first calendar year happening after the Act comes into operation, namely, the year beginning January 1st, 1930.

Sect. 128 refers only to an account laid before the Company "in pursuance of the Act." It follows that a company is not in our opinion, bound to lay before any meeting held during any part of this year accounts complying with sect. 128 of the Act.

Sects. 124, 125, 126 and 129 of the Act deal with the form and contents of Balance Sheets of a Company as such, and are not in terms linked with the Balance Sheet required by statute to be laid before the Company in General Meeting. We think that if the meeting be held after November 1st, 1929, the Balance Sheet must comply with the provisions of these sections. The obligation imposed by sub-sect. 1 (a) of sect. 130 must, we think, be complied with.

November 15th, 1929.

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\* The question answered by Counsel in No. 8 above was as follows :—

*What is the effect of Sect. 128 (1) (a) as qualified by Sect. 128 (2) (b)? Why is reference made to employees in (2) (b) when they are not mentioned in (1) (a)? Does (2) (b) refer only to employees who are Officers? (Other employees are not covered by (1) (a) and do not seem to require any limitation of the clause to exclude them.)*